S. Hrg. 98-96

PROPOSED FISCAL YEAR 1984 BUDGET REQUEST

HEARINGS

BEFORE THE

COMMITTEE ON
ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

TO REVIEW THE PRESIDENT'S PROPOSED BUDGET FOR FISCAL YEAR 1984 IN CONNECTION WITH THE PREPARATION OF THE MARCH 15 REPORT TO THE SENATE BUDGET COMMITTEE

FEBRUARY 1, 2, AND 3, 1983

Printed for the use of the
Committee on Energy and Natural Resources

U.S. GOVERNMENT PRINTING OFFICE
19-818 O
WASHINGTON : 1983

S311-44

COMMITTEE ON ENERGY AND NATURAL RESOURCES

JAMES A. McCLURE, Idaho, *Chairman*

MARK O. HATFIELD, Oregon
LOWELL P. WEICKER, JR., Connecticut
PETE V. DOMENICI, New Mexico
MALCOLM WALLOP, Wyoming
JOHN W. WARNER, Virginia
FRANK H. MURKOWSKI, Alaska
DON NICKLES, Oklahoma
CHIC HECHT, Nevada
JOHN H. CHAFEE, Rhode Island
JOHN HEINZ, Pennsylvania

J. BENNETT JOHNSTON, Louisiana
HENRY M. JACKSON, Washington
DALE BUMPERS, Arkansas
WENDELL H. FORD, Kentucky
HOWARD M. METZENBAUM, Ohio
SPARK M. MATSUNAGA, Hawaii
JOHN MELCHER, Montana
PAUL E. TSONGAS, Massachusetts
BILL BRADLEY, New Jersey

MICHAEL D. HATHAWAY, *Staff Director*
CHARLES A. TRABANDT, *Chief Counsel*
D. MICHAEL HARVEY, *Chief Counsel for the Minority*

CONTENTS

Hearings: Page
- February 1, 1983 1
- February 2, 1983 241
- February 3, 1983 497

Tuesday, February 1, 1983

STATEMENTS

Hodel, Hon. Donald Paul, Secretary, Department of Energy 3
Johnston, Hon. J. Bennett, a U.S. Senator from the State of Louisiana 2
McClure, Hon. James A., a U.S. Senator from the State of Idaho 1

APPENDIX I

Responses from Secretary Hodel to additional committee questions 159

Wednesday, February 2, 1983

STATEMENTS

McClure, Hon. James A., a U.S. Senator from the State of Idaho 241
Watt, Hon. James G., Secretary of the Interior, accompanied by J. Robinson West, Assistant Secretary of the Interior for Policy, Budget, and Administration; and Joseph W. Gorrell, Director, Office of Budget 242

APPENDIX II

Responses from Secretary Watt to additional committee questions 401

Thursday, February 3, 1983

STATEMENTS

Crowell, Hon. John B. Jr., Assistant Secretary, Department of Agriculture, accompanied by Hon. R. Max Peterson, Chief, U.S. Forest Service, Department of Agriculture 498
McClure, Hon. James A., a U.S. Senator from the State of Idaho 497
Noble, Hon. Edward E., Chairman of the Board, U.S. Synthetic Fuels Corporation, accompanied by Victor A. Schroeder, President; U.S. Synthetic Fuels Corporation; and Dwight Ink, Vice President for Administration, U.S. Synthetic Fuels Corporation 546
Peterson, Hon. R. Max, Chief, U.S. Forest Service, Department of Agriculture. 524

APPENDIX III

Responses from Mr. Crowell to additional committee questions 629

APPENDIX IV

Responses from Mr. Noble to additional committee questions 693

PROPOSED FISCAL YEAR 1984 BUDGET REQUEST

TUESDAY, FEBRUARY 1, 1983

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room SD-366, Dirksen Office Building, Hon. James. A. McClure, chairman, presiding.

Present: Senators McClure, Domenici, Wallop, Warner, Nickles, Hecht, Chafee, Johnston, Ford, and Bradley.

Also present: Richard D. Grundy, budget officer; Benjamin S. Cooper, professional staff member for the minority; and James T. Bruce, counsel for the minority.

OPENING STATEMENT OF HON. JAMES A. McCLURE, A U.S. SENATOR FROM THE STATE OF IDAHO

The CHAIRMAN. The committee will come to order. Good morning. Today the committee will commence hearings on various programs within its jurisdiction prior to formulating its March recommendations to the Senate Budget Committee.

The hearing today will focus on the energy programs of the Department of Energy. Tomorrow the committee will turn its attention to the natural resource program of the Department of the Interior, and on Thursday the committee will receive testimony from the Synthetic Fuels Corporation and the Department of Agriculture.

During these hearings the committee will be evaluating the various proposals in President Reagan's program toward economic recovery which affect the committee's jurisdiction. I support the goals and objectives of his program.

All of us are aware of the need to promote economic recovery. We must remove economic distress which continues to drain the vitality out of the American economy.

Over the last 2 years we have captured control over the energy budget at least. We have fashioned a package of changes in the energy budget to achieve the goals and objectives of President Reagan's program for economic recovery. Some of the required changes were painful and we equitably distributed the consequences of the necessary change.

Thus, I would note that the proposed fiscal year 1984 budget raises many of the same issues that prompted the committee and the Senate to support greater funding than the administration proposed in fiscal year 1983 for energy conservation, fossil energy, renewable resources—including solar energy, geothermal and small hydroelectric development—and departmental administration.

Certainly, this Senator and many others had hope that these issues had finally been resolved when the Congress and the administration reached final agreement on the Interior Appropriations Act for 1983 and the continuing resolution.

In particular, the fill rate for the strategic petroleum reserve was a matter of extensive negotiation with the administration. Yet, the proposed fiscal year 1984 fill rate for the strategic petroleum reserve is 145,000 barrels per day. By law the Department of Energy is required to fill at a minimum fill rate of 220,000 barrels per day or higher if available appropriations will support a higher figure.

Moreover, in the absence of a Presidential finding of national interest, the DOE is required to fill at 300,000 barrels per day. Such a finding did not accompany the proposed fiscal year 1984 budget. Consequently, the committee must examine into what happened to the statutory minimum requirement of 220,000 barrels per day that was earlier agreed to by the administration.

We must not lose sight of the seriousness of the energy challenges facing our country. In examining the proposed budget for programs of the Department of Energy, I intend to pay close attention to pursuing a course that assures our national security.

I am pleased that Secretary Hodel is with us today to present the President's fiscal year 1984 energy program to the committee. Tomorrow Secretary Watt will present the President's natural resource program to the committee.

Before calling upon the Secretary, I yield to Senator Johnston for any statement he would like to have at this time.

STATEMENT OF HON. J. BENNETT JOHNSTON, A U.S. SENATOR FROM THE STATE OF LOUISIANA

Senator Johnston. Thank you very much, Mr. Chairman. Mr. Chairman, I share your misgivings about many of the cuts in this budget. I recognize that we have got to cut the Federal budget, that we have got to have an across-the-board sacrifice, but the amount of sacrifice in the energy budget it seems to me is much greater than in most other areas of the Federal spending.

I think the cut in the strategic petroleum reserve is unwise. Energy conservation is deeply, deeply cut as well as coal conversion, fossil energy, and energy research in general, so while I am willing certainly to make a sacrifice in the energy programs, these appear to be unwise and imprudent, but I am certainly willing to hear the case to be made by Secretary Hodel.

The Chairman. Before we start, Senator Hecht, did you have any statement you would like to make at this time?

Senator Hecht. No.

The Chairman. Thank you very much. I call upon Secretary Hodel to take the stand with whomever he wishes to have up with him to assist in the presentation.

Secretary Hodel. Thank you, Mr. Chairman.

STATEMENT OF HON. DONALD PAUL HODEL, SECRETARY, DEPARTMENT OF ENERGY

Secretary **Hodel**. Depending, Mr. Chairman, upon the level of detail into which we wish to probe today with regard to the budget, I have in the committee room many of the budget officers of the Department, as well as some additional of my staff.

I would like to thank the committee, first of all, for the action on my confirmation. This is the first opportunity I have had to appear before this committee since that occasion, and I very much appreciate that occurrence.

I have also prepared, Mr. Chairman, a relatively lengthy statement describing in some detail the budget and have provided it to the committee.

The **Chairman**. That statement will, of course, appear in full in the record.

Secretary **Hodel**. I would like to make a number of observations, then by way of summary, of the points that I think are of great significance in the budget.

First of all, as was referenced in both your and Senator Johnston's opening statements, we all recognize that we are faced as an administration and as a Nation with a very serious budget deficit problem unless we find some way to reduce the magnitudes of those deficits; and, of course, this budget—our portion of this budget—was prepared in the framework of those problems. The reasons for the deficits are well known to this committee and to all those who read the various commentaries about the budget, and the effort that we have come forth with as a means of trying to solve the problem is also identified in the President's state of the Union address.

Of course, we emphasize the need for a freeze on the aggregate of nondefense discretionary expense programs and long-term structural reforms which include some bills on the bipartisan social security solvency plan, maintenance of the defense buildup but at a substantially lower cost, and deficit insurance policy of a standby tax, all of which have generated a considerable amount of discussion since their proposal. I am well aware of that; but they indicate, I think, the concern which we have. The magnitude of the problem that we have at the Department of Energy is also subject to the same kind of concerns and the same problems with regard to the setting of priorities.

When we look at the overall Department of Energy budget, it is proposed to be an $11.9 billion budget, with defense programs at about $6.8 billion, the strategic petroleum reserve at $742 million, general science at $645 million, and energy R&D at 2.2 billion, energy production at $871 million, and, nuclear waste at $307 million.

I would like to talk about the trends in this budget. We have increased defense. Under the nuclear weapons stockpile memorandum, we have the obligation, as you know, to produce the weapons materials and the weapons for the United States. The majority of our increase in the defense programs which totals about $1 billion, is in the area of weapons production and nuclear materials production. There are approximately $700 million in that $6.8 billion for the restoration and maintenance of facilities.

There is a new initiative in the budget this year, $155 million, which is the commencement of construction for the defense waste processing facility.

In the area of energy R&D, which you have also touched on this morning, I have suggested I would like to discuss these in terms not only of what Congress appropriated in the 1983 continuing resolution, but also by comparison to what we requested as a Department 1 year ago. In the 1983 budget request, conservation was a $22 million proposal. We have raised that to a $101 million proposal which is a substantial increase and a significant trend.

The R&D component of the conservation budget is in the neighborhood of $160 million under the continuing resolution of 1983, so while we have not risen to the level that Congress appropriated—I am well aware of that—we have come more than halfway toward that from our proposal of last year. I am hoping that it will permit us to work with the committee to identify the priorities. Hopefully, within that budget level, if we have left out valued programs which must be continued or have included programs that are of a lower priority, these are the kind of things I would be most interested in discussing with the committee and learning more about.

With regard to the renewable portion of the budget, the same picture exists, although the percentage increase over our 1983 request is 29 percent. In fossil, it is a 27-percent proposed increase, and I have emphasized in a number of forums that my effort was to try to turn the trend line for this Department. At my confirmation hearing, I was acutely aware of the concerns of several members of this committee about the direction in which the Department of Energy appeared to be going with regard to, I think, the view of many of the questioners, the overemphasis that was being placed upon a single category, particularly nuclear, to the exclusion and dismay of supporters of these other technologies which are important.

Also, there is a trend in this budget which I think is important, and that is with regard to the scientific portion—general science, basic sciences—in the budget. General science is up $91 million over last year's appropriation which, in light of the very stringent budget conditions we are all aware of, we are putting emphasis here because of our conviction that the scientific and technological portion of this Department has a major role to play in the science and technology of the country, and we need to pay attention. Within that budget, we have some initiatives which merit mention. We have the proposal for construction of a linear collider at Stanford, which would fall in the area of high energy physics research. We have the expansion of the national synchrotron light source at Brookhaven. We have the National Center for Advanced Materials which would be at Lawrence Berkeley Lab, and we have a component for university research support, which we think is an important element of the science program as we reach out and utilize the graduate student capabilities of our universities in conjunction with our on-going contractor research.

In summary, I would see several issues that I am sure this committee will be quite concerned about. Obviously a high-priority item is the strategic petroleum reserve. Our position with regard to our proposal there for a 145,000 barrel a day fill rate in 1984, well below the 220,000 minimum provided by the statute, even with a Presidential finding of national interest, and far below the 300,000 barrels a day which the committee has previously made very plain to us, and to my predecessors particularly was the committee's desire.

With regard to the Clinch River breeder reactor, I think it is important to make several comments. First of all, in this budget there is $270 million directly attributable to the Clinch River project. We are well aware that the Congress, in approving the continuing resolution funds for Clinch River, has required us to return to Congress by March 15 with an indication of the way in which we will find alternatives for financing Clinch River.

I have been very candid in public arenas, Mr. Chairman, that in my opinion, if we are not able to find a significant alternative financing mechanism, I cannot anticipate that Congress will continue funding for that project. I have, therefore, referred to the $270 million in this budget as what I have called a soft figure, soft in the sense that clearly whether that number may ultimately have to be subject to a budget amendment or a rescission or a deferral or whatever is going to have to be determined by events which we cannot now predict precisely. We have an industry committee at work. We have given them some guidance as to what we have invested, what we would originally have intended to invest, and what we expected to obtain from the Clinch River project, so at this point I cannot give you a definitive indication of where that committee will come out or where we may come out with their recommendations; but I have tried to set the stage very clearly that we are not in a position to push forward with Clinch River without significant additional support from the industry.

I have talked about the energy R&D component of this budget, and I anticipate there may be a number of questions about that.

Finally, I think it is important for me to comment, Mr. Chairman, since this budget was begun and since it was actually put to bed that there have been significant events occurring in at least the world of oil. The prospects for reduced prices for oil in the world as a result of the OPEC nations being unable to agree on a continuation of their support price and production quotas raises, I think, an important issue which we have not addressed fully in this budget at this point, but which I think can be addressed within the budget that is proposed; and, that is, I think it will become imperative that the Energy Department and, hopefully, the administration as a whole will place increased emphasis upon continuing conservation activities in both the Federal and the non-Federal sector.

What I am concerned about is that as people perceive a lower price for oil, the incentives for conservation, the incentives for renewables, whether they are solar or wind or geothermal or the like, will diminish or appear to diminish. I think we need to carry the message clearly to the American people that we do not think that a long-term strategy for this country should be based on assumptions about unlimited oil supplies or long-range prospects for low prices for oil. Long range to me means a number of years, a good number of years, and I think that we can't see clearly what is going to happen with oil prices 6 months down the road.

We can make estimates. They may be right. Usually with estimates they are wrong, and I think to change our whole national strategy with regard to conservation and renewables would be a mistake. Therefore, I think one of the most important things we can do is to emphasize the importance of conservation and of renewables as these activities are taking place in the private sector.

That would complete my statement, Mr. Chairman, and I would be happy to submit to questions.

[The prepared statement of Secretary Hodel follows:]

STATEMENT OF DONALD PAUL HODEL
SECRETARY OF ENERGY
BEFORE THE
SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES
February 1, 1983

Mr. Chairman, Members of the Committee, I appreciate the opportunity to discuss with you the FY 1984 budget request for the Department of Energy, and the energy policies of this Administration to which this budget is responsive.

Before presenting the details of the budget request, I would like to offer my perspective on energy and energy policy and describe the current energy situation.

ENERGY PERSPECTIVES

First, I believe that energy has an importance far beyond most commodities, because, directly and indirectly, energy is significant to every aspect of the U.S. economy. Domestic and international economic recovery and growth cannot take place without stable, reliable energy supplies that are available at a reasonable cost. Economic strength -- and ultimately the strength and security of the free world -- are dependent upon a purposeful energy policy that encourages efficient use of existing resources and timely development of technologies and resources for the future.

Another belief I hold very strongly is that overreliance on any one energy source is unwise, and that a balance among energy resources is needed. This Administration's energy policy seeks a balanced energy program that includes a full range of energy technologies which compete fairly in the free market. It is a policy that avoids overreliance on any one energy source and recognizes regional diversity in determining the optimum mix of energy supplies and patterns of energy use.

Finally, it is particularly important, I believe, to take note of energy conservation. Past supply disruptions and the impact of sudden price increases have led to increased investment in energy conservation. These investments have clearly demonstrated that conservation makes good business sense -- and more importantly, that we must view conservation as a resource and not simply something we do for altruistic reasons.

These three principles—that energy is vital to a strong economy and, ultimately, to the strength of the Free World; that we must have a flexible and balanced approach to utilizing our energy resources; and that conservation should be viewed as an important energy resource—are beliefs I have held since my days as Administrator of the Bonneville Power Administration. These beliefs underlie the energy policies of the Reagan Administration and are embodied in the budget proposal I will present to you today.

THE CURRENT ENERGY SITUATION

As a Nation, we face a much more favorable energy situation than at any time during the past decade. In 1982, the United States produced about 90 percent of the energy it consumed, the highest level of energy self-reliance in almost ten years. Imported oil is down, both in absolute amount and as a percentage of consumption. This is a result of two heartening factors - an increase in domestic production since 1977, and a drop in domestic consumption, due in significant part to conservation practices in the face of increasing prices.

Moreover, the proportion of our oil imports coming from distant and potentially insecure Persian Gulf and North African sources has declined, and we have made more use of oil from nearby sources such as Mexico. Finally, since achievement of a better balance among various energy sources is a policy goal of this Administration, I am especially pleased to note that we have seen a significant change in the mix of fuels contributing to energy growth. Since 1973, virtually all of the energy growth has come from coal and nuclear power, whereas increased use of oil and natural gas fueled energy growth previously. This Nation has vast energy supplies and a growing capability to make use of all of them.

THE FEDERAL ROLE IN ENERGY

There are five critically important missions for the Federal government in energy. Our budget request for FY 1984 supports these missions at a level I believe to be entirely appropriate in our current economic circumstances. These missions are:

- Development of long-range, high-risk, high-payoff energy technologies which industry cannot reasonably be expected to support.
- Development of fundamental scientific and engineering knowledge which can be the basis for new energy developments or for the assessments of the health, safety, and environmental effects of energy developments.
- Continuation of defense programs for development, testing, and production of nuclear weapons, and continued support for the Naval reactor program.
- Maintenance of the Strategic Petroleum Reserve as a primary element of protection against energy emergencies.
- And finally, leading the nation toward greater understanding and reliance on the marketplace to solve energy problems and away from the failures of government intervention.

BUDGET OVERVIEW

The FY 1984 budget request for the Department of Energy is $11.9 billion in budget authority, including $583 million in off-budget oil acquisition and transportation funds for the Strategic Petroleum Reserve. Anticipated outlays are $13.0 billion. The FY 1984 request represents a decrease of $933 million in budget authority from the levels appropriated in FY 1983. This decrease is the net effect of decreases in funding for Energy programs, the Strategic Petroleum Reserve, and Departmental Administration, offset in part by increases in Defense Activities and General Science.

Energy programs comprise about 30 percent of the Department's budget for FY 1984, approximately the same percentage as in the larger FY 1983 budget appropriated by Congress. The FY 1984 request continues the redirection of the Federal effort away from near-term technology demonstration in favor of longer-term, high-risk research and development, which has been a feature of this Administration's energy budget policy. Consistent with this policy, such longer term programs as Magnetic Fusion and Basic Energy Sciences show increases in FY 1984 over the level of FY 1983 appropriations. Fossil Energy, Conservation, and Solar and Other Renewable programs show reductions against the level of FY 1983 appropriations, reflecting a commitment to the support of longer-term technology base development activities rather than near-term product and process development that is better left to the private sector. Although our budget request in these technology areas is below the level of Congressional appropriations in FY 1983, it is higher than our FY 1983 budget request, and reflects a genuine attempt to accommodate certain Congressional concerns over the pace of our redirection.

I am pleased and very supportive of the budget's commitment to essential energy research and development. I believe we are making use of the taxpayers' dollars in the proper manner by applying those dollars where the need for Federal investments is indisputable, and resisting the temptation to support near-commercial technologies, where we might merely supplant funds the private sector could otherwise invest.

The Strategic Petroleum Reserve budget request is reduced significantly. This reduction does not signal a reversal of the Administration's support of the SPR as an essential element of protection against supply emergencies. It reflects overall budget requirements and an appreciation of the much improved world energy supply situation and the increased level of protection the SPR now provides as the result of our resolute development and fill practices. The Administration target continues to be the development of a 750 million barrel Strategic Petroleum Reserve.

The Departmental Administration funding request is reduced as a result of increased revenues and decreasing employment levels due primarily to the scaling-down of marginal programs.

The General Science program area is up sixteen percent over FY 1983, due primarily to utilization of a number of major new research facilities just now coming on line and acceleration of an important construction project.

Finally, Defense Activities represents over half of the total budget request for the Department in FY 1984. The request of almost $6.8 billion represents a nineteen percent increase from FY 1983, and reflects the Department's commitment to fulfill the requirements of the Department of Defense for nuclear weapons and materials production.

The budget we are proposing is presented in a format appropriate to the existing Department of Energy. However, the Administration believes that the nature of the Federal effort required to assist in meeting national energy objectives no longer requires a separate Cabinet-level agency devoted solely to energy.

I would now like to discuss the funding request for selected major program elements.

FOSSIL ENERGY

The United States has abundant domestic supplies of coal, petroleum, oil shale, and natural gas, and the role of the Department's Fossil Energy program is to help establish an adequate scientific and engineering knowledge base so that the private sector can apply new and improved technologies for making use of these vast resources. Consequently, the Department concentrates on long-term, high-risk research and development which industry could not be expected to undertake on its own, while leaving the commercial introduction of developed technologies to the private sector.

The FY 1984 budget request for fossil energy programs is $138 million, which is to be partially offset by $44 million in prior year balances. This constitutes a considerable reduction from the FY 1983 appropriation of $311 million, but is approximately 27 percent higher than our request in FY 1983. I believe our request is fully adequate to fulfill the proper Federal role and build upon past Federal investments in fossil technology. Approximately $110 million of the request is for programs designed to better utilize the Nation's coal reservos. The major funding element within the coal program is the Advanced Research and Technology Development program, which is to receive almost 30 percent of the overall funding. The remaining funds are applied in a balanced manner to liquefaction and gasification technologies, coal preparation, fuel cells, combustion systems and heat engine research.

CONSERVATION

The aim of the Energy Conservation Research program is to conduct basic research in fields of scientific inquiry where new knowledge can expand the generic technology base underlying energy conservation. This will support private sector efforts to develop ways to make more efficient use of available energy and to facilitate use of nonpetroleum energy sources. The FY 1984 budget for Conservation activities, including Electric Energy Systems and Energy Storage programs, is $101 million, almost $80 million more than the Department's FY 1983 request. Electric Energy Systems and Energy Storage together account for $27 million. The $74 million requested in the Conservation appropriation account is divided among the various end-use sectors the research effort supports, such as Buildings and Community Systems, Industrial Energy Conservation, and Transportation.

In FY 1984, the major focus to the Buildings area will be on performing technology base research and development that will allow the private sector to improve the energy efficiency of buildings, insulation, heat pumps, and furnaces. The Industrial program will concentrate on combustion efficiency improvements, waste heat recuperators, industrial heat pumps, conversion of industrial waste to fuels and feedstocks, energy efficient separation systems, and process control systems. In the Transportation area, major efforts will continue in heat engine development, development of electric vehicle battery and propulsion systems, alternative fuels utilization, and development of advanced materials.

The Department's budget requests $3 million for the management resources required to perform an orderly closeout of the State and Local conservation grants programs. We believe that the Administration should continue to assist the needy to adjust to high energy prices through the Low Income Home Energy Assistance Program administered by the Department of Health and Human Services.

SOLAR AND OTHER RENEWABLES

Solar and Other Renewable Energy resources offer the potential for significant energy contributions over the long term. In addition to direct solar energy technologies, such as photovoltaics and solar thermal, this energy research category includes biomass, wind, and geothermal energy technologies. The budget request in FY 1984 is $102 million, approximately 29 percent above our budget request in FY 1983.

A number of solar applications are competitive today in certain regions. Consequently, the Department's programs will concentrate on technology base development in certain areas, such as advanced photovoltaics, where the investment risks are high and industry cannot be expected to undertake completely the long-term research necessary to bring the technologies to the point of commercial introduction.

The largest program element within the Solar research area is Photovoltaics, for which the budget request is $33 million. The thrust of the photovoltaics program will be on establishing the scientific feasibility of advance photovoltaic materials, because a ten-fold improvement in efficiency/cost is required for sustained market penetration.

Other major elements of the budget request include Solar Thermal, Biomass, and Geothermal. Our $22 million program in Solar Thermal will emphasize materials research, central receiver technology, and heat transfer systems analyses. The Biomass program will concentrate on research and development on thermochemical and biochemical conversion processes capable of producing solid, liquid and gaseous fuels from organic material, and will investigate methods of increasing biomass energy feedstocks through species screening and genetic engineering. The Biomass budget request is $17 million.

The Geothermal budget request of $14 million supports a technology base development program which can be used by the private sector for future development of geothermal energy sites.

GENERAL SCIENCE

The programs included in the General Science appropriation support basic research into the fundamental structure and behavior of matter. Much of this work has no direct or immediate application to energy technologies, and it is carried out as an endeavor for the advancement of the frontiers of science.

The budget request for FY 1984 is $645 million, a sixteen percent increase over the FY 1983 figure of $554 million. The increase is due to the expanded research opportunities provided by the availability of major new facilities in the High Energy Physics and Nuclear Physics programs. In High Energy Physics, FY 1984 will see the first full year of operation of the Energy Saver superconducting synchrotron at Fermilab. Also at Fermilab, construction will continue on the Tevatron I and II construction projects, and construction of the SLAC Linear Collider will be accelerated at the Stanford Linear Accelerator facility.

The Nuclear Physics program will make use of new facilities at the Lawrence Berkeley, Oak Ridge, and Argonne National Laboratories and the Bates Electron Accelerator Laboratory. Also, a low energy injector for the Stanford Linear Accelerator is proposed for construction in FY 1984, and Van de Graaf accelerators at Yale and the University of Washington will be upgraded.

MAGNETIC FUSION

Successful development of fusion energy would utimately provide access to an inexpensive and essentially inexhaustible domestic energy resource base. The objective of the Magnetic Fusion Energy program is to develop an economically competitive technology in an environmentally sound manner.

Two confinement concepts, the tokamak and the tandem mirror, are developed to the point that both are ready to attempt production of reactor-grade plasmas. In FY 1983-84, several major new fusion facilities will begin operations: the Large Coil Project, the Tritium System Test Assembly, and the Tokamak Fusion Test Reactor (TFTR). In 1986, the TFTR will be the first fusion device in the world to attempt to demonstrate energy breakeven.

The FY 1984 budget request of $467 million will provide the necessary support for continuing the development of the two leading fusion concepts, tokamaks and tandem mirrors, and for limited support of experiments on alternate confinement concepts, including the Reverse Field Pinch and Compact Toroids. Another significant element of the FY 1984 budget strategy is to maximize coordination with foreign fusion programs, including those in Japan, West Germany, and the USSR, and provide limited funding to continue design and development activities on the Fusion Materials Irradation Test Facility in anticipation that an international agreement can be reached on joint construction funding.

NUCLEAR FISSION

The Department's Nuclear Fission activities are designed to provide the technological base to revitalize industry's efforts to continue the development of nuclear power as an economic and environmentally acceptable source of baseload electric power. The program includes research on conventional reactors as well as breeder reactor systems, and concentrates also on nuclear waste and fuel reprocessing technologies. The FY 1984 budget request is $848 million.

The largest element in the Nuclear Fission budget is Breeder Reactor Systems. The request for Breeder Reactor Systems is $603 million, of which $270 million is for the Clinch River Breeder Reactor (CRBR) project. Funding for the CRBR was provided for FY 1983 subject to certain restrictions on its use, and with a requirement for a vigorous exploration of possible methods of reducing Federal budget requirements for the CRBR or alternative projects. I am fully aware of the depth of Congressional concern, and I intend to fulfill my pledge to seek alternative methods of financing this costly but extremely valuable project. If we are unable to produce an alternative funding proposal, I have indicated that we cannot expect the Congress to fund our FY 1984 budget request.

Assuming the CRBR proceeds as planned, site preparation activities will be essentially completed in FY 1983. In FY 1984, plant design will be virtually completed and construction of the plant foundations will begin upon receipt of authorization from the Nuclear Regulatory Commission.

In addition to the CRBR, a $272 million breeder base technology program is proposed to develop components, fuels, core designs, engineering systems, and materials suitable for breeder reactors, and operates a number of highly specialized facilities which test components, safety procedures, and system operations. If we do not proceed with the CRBR, we will have to evaluate which of these efforts must continue and at what levels.

NUCLEAR WASTE DISPOSAL ACTIVITIES

One of the great achievements of the 97th Congress was the passage of the Nuclear Waste Bill on December 20, 1982. This legislation, signed into law by the President on January 7, 1983, establishes a Fund to finance activities related to development, construction and operation of a commercial high-level waste repository and studies of Monitored Retrievable Storage concepts.

The Fund is to be financed by fees paid by nuclear utilities. The budget request in FY 1984 is $307 million, while fee collections are expected to total $448 million. Revenues are to offset required budget authority, with revenues in excess of requirements being retained in the Fund as offsets to future needs.

Efforts in the Waste Disposal program are directed toward site selection, licensing, construction, and operation of mined geologic repositories, and will include activities such as site characterization and exploratory shaft development. To ensure that the requirements of the Waste Bill are fully understood and acted upon as promptly as possible, I have detailed a number of Department of Energy employees from the Policy and Planning organization to a special task group for this purpose.

The program is now focusing on four main geographic areas: the basalt flows underlying the Hanford Site in Washington, the tuffs underlying Yucca Mountain at the Nevada Test Site, salt domes in the Gulf Coast States, and bedded salt formations in Texas and Utah. Nationwide screening of additional sites in other geologic media, such as the granitic rocks of the Lake Superior and Appalachian region, will continue.

URANIUM ENRICHMENT

The FY 1984 budget request for uranium enrichment activities is $2,240 million. This includes funding requirements for the three major elements of the program: gaseous diffusion operations and support ($1,485 million); gas centrifuge operations and support ($681 million); and advanced isotope separation ($73 million). Funds requested for gaseous diffusion operations are primarly for electric power required for the production of 12.1 million separative work units (SWU) of enriched product. The costs of the program are completely offset by revenues from the sale of enriched uranium.

The FY 1984 budget also requests funds for the Portsmouth Gas Centrifuge Enrichment Plant (GCEP). The importance of the gas centrifuge technology is that it uses less than five percent of the power required by the gaseous diffusion technology, and can therefore provide enrichment services at a significantly lower cost. Lowering production costs is essential if the United States is to remain competitive in the world market for enrichment services.

The Advanced Isotope Separation program has the goal of developing the Atomic Vapor Laser Isotope Separation process to the point where it can provide for the production of enriched uranium at significantly reduced cost. The FY 1984 budget request will initiate evaluation of engineering issues and system reliability, for possible future construction and operation of a Development/Demonstration Module in the late 1980's.

STRATEGIC PETROLEUM RESERVE

The budget request for the Strategic Petroleum Reserve (SPR) is $742 million. This figure is well below the FY 1983 appropriation. The off-budget request for oil acquisition and transportation is $583 million. In FY 1983, our currently planned average daily fill rate will be very nearly 220,000 barrels per day. During FY 1984, the fill rate would be 145,000 barrels per day. The budget will permit a cumulative fill of 410 million barrels by the end of FY 1984. We are requesting $142 million for facilities development, to be divided between Phase II and non-phase-specific activities. Phase II, the expansion of three existing storage sites, will add 290 million barrels of storage capacity. Non-phase specific activities include ongoing maintenance, systems reliability improvement and safety upgrading.

Phase III development at Bryan Mound and West Hackberry will continue from funding in FY 1983 to be made available in FY 1984. The FY 1983 budget will continue Big Hill site acquisition activities and completion of detailed design work. However, a decision on whether to proceed with construction activities at the Big Hill site will be reanalyzed within the context of the FY 1985 budget.

The SPR budget request reflects in the first instance the Administration's efforts to trim the federal budget wherever it is prudent to do so. I am aware of the bipartisan Congressional commitment--which is shared fully by the Administration--to enhancement of national security and protection against petroleum supply emergencies by, among other measures, providing for rapid fill of the Strategic Petroleum Reserve. I need not and will not take a back seat to anybody in my resolve that Federal energy policies and programs be designed and administered to contribute optimally to our Nation's economic and strategic security.

Overall budget considerations have compelled the Administration to propose reductions in a variety of programs, including but not limited to SPR, which we wish we could have avoided. Although outlays for SPR petroleum purchases are off-budget, they affect Federal borrowing and economic activity the same as on-budget spending.

If the Department were to fill at a 220,000 barrel per day rate during FY 1984, total program costs would be increased by more than the direct additional outlay of some $900 million for oil purchases and transportation. Interim storage, at an estimated cost ranging from over $1 to $5 per barrel per year, would be required for approximately 10 million barrels. Moreover, purchases of an additional 27.4 million barrels of oil in FY 1984 (representing the difference between fill rates of 220,000 and 145,000 barrels per day) would have to be made with borrowed money. One cannot ignore the cost of borrowing those funds. Based on current forecasts, purchases of oil made today with borrowed money would require outlays in excess of those required to purchase the same amount of oil in FY 1985.

The budget request for FY 1984 also takes into account the dramatically improved world oil market. When plans for the SPR first were published in 1977, they were based on projected 1985 imports of more than 11 million barrels per day. Current Department forecasts project United States imports of only about 6 million barrels per day in 1985, a 45 percent reduction, and actual imports in 1982 were at a level of only 4.1 million barrels per day. Arab OPEC imports to this country have declined from a 1978-79 peak of 3 million barrels per day to about 900,000 barrels per day in 1982, and such imports now constitute only 22 percent of our total imports. Unlike the situations in 1973 and 1979, there now is substantial excess production capacity in the free world, including OPEC nations. These factors tend to reduce both the impacts of unexpected supply disruptions and the incentive to use oil embargoes as weapons in international politics.

Moreover, the United States and its allies are much better prepared today to deal effectively with disruptions in oil supplies. The SPR now holds 300 million barrels, nearly three times as much oil as there was at the beginning of this Administration, and private stocks currently are in excess of normal working inventories. Counterproductive controls have been abolished, so that any subsequent disruption would not be accompanied by the market distortions we experienced in the past.

The selection of any given fill rate represents a judgment as to what is prudent in the circumstances. Measured in terms of the approximately 6 million barrels per day of imports projected by DOE for 1985, the fill rate contemplated by the Energy Emergency Preparedness Act without regard to availability of funds would provide 83 days of coverage against such imports. Under the presently proposed fill rates, there would be 74 days of such coverage--a difference of only 9 days.

That difference is not so great, in our view, to warrant walking away from the substantial budget savings sought by today's proposal. Moreover, we, in conjunction with our sister agencies, intend to monitor the world oil situation--in terms of both the likelihood of future supply disruptions and probable future price levels--so that we may take advantage of future opportunities to acquire oil at potentially lower costs and, when appropriate, rapidly fill available SPR capacity.

The SPR budget request represents a balanced approach of reducing present costs of the program in light of overall budget considerations while, at the same time, continuing at a reasonable rate the growing capability of SPR to provide economic and strategic security to the Nation.

DEFENSE ACTIVITIES

The budget request for Defense Activities is $6.8 billion, an increase of $1.1 billion over FY 1983. The budget is higher in every major category, with the major increases occurring in Weapons Activities, Materials Production, Defense Waste, and Naval Reactors.

Within Weapons Activities, the Research, Development and Testing program is up $195 million. This program generates new concepts for nuclear weapons and applies them to Department of Defense requirements. Another major program element, Production and Surveillance, is up $436 million over FY 1983 because of increased Department of Defense requirements for production of new nuclear weapons for the stockpile and for the surveillance and maintenance of existing weapons, as approved by the President in the Nuclear Weapons Stockpile Memorandum and the Stockpile Improvement Program.

The weapons in production include the B61-3 Bomb, B61-4 Bomb, W76 TRIDENT Warhead, W79 8-inch Artillery Fired Atomic Projectile Warhead, W80-0 Sea Launched Cruise Missile Warhead, W80-1 Air Launched Cruise Missile Warhead, B-83 Bomb, W84 Ground Launched Cruise Missile Warhead and the W85 Pershing II Warhead. Also included are pre-delivery production efforts which will be conducted in FY 1984 for the W81 Standard Missile 2, W82 155mm Artillery Fired Atomic Projectile, W87 MX, and Sentry Warheads. Funding is also requested to maintain and rehabilitate faciliities throughout the weapons production complex.

The Materials Production program, which supports the production of nuclear materials for national security programs, is up $283 million over FY 1983. FY 1984 budget request provides funds for the completion of restart activities begun in 1981 at the L Reactor at Savannah River and the PUREX chemical processing plant at Richland.

The Defense Waste and Byproducts Management program will begin construction of the Defense Waste Processing Facility at Savannah River, and will continue the program of transferring high-level waste from single-shell tanks at Savannah River and Hanford into new double-shell tanks. Also, efforts will continue on the preparation of transuranic wastes at various Department of Energy sites for shipment to the Waste Isolation Pilot Plant under construction near Carlsbad, New Mexico.

Mr. Chairman, I believe that the budget I have just summarized will permit us to perform those energy functions which are the unique responsibility of the Federal government. The Department of Energy is fully prepared to work with the Congress in the coming months to ensure that the course charted for us in FY 1984 represents a true consensus.

Department of Energy FY 1984 Budget

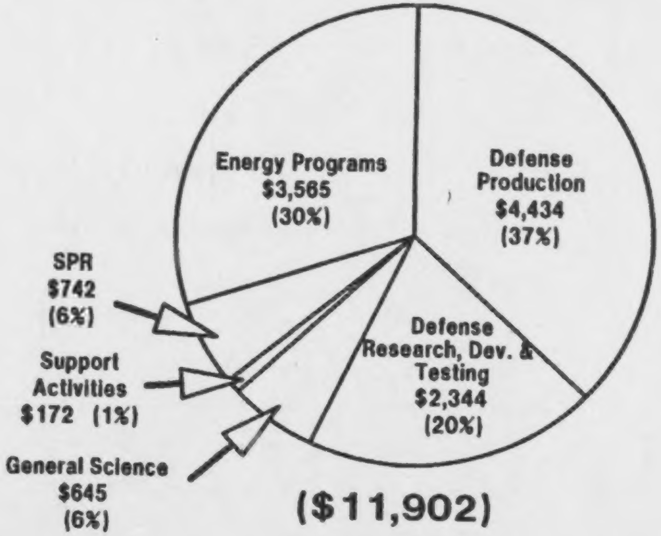
Summary

```
=========================================
              N O T I C E
              -----------
     There Should Be No Release Of
 Information Contained In This Document
       Until 12 P.m. Noon (E.S.T.)
       Monday,  January 31, 1983
=========================================
```

Department of Energy
FY 1984 Budget

Summary

Breakdown of DOE Programs by Primary Mission
(Budget Authority in Millions)



FY 1984 Budget

Overview

	1982	1983	1984
	($ In Millions)		
Budget Authority:			
Total Programs	$13,809	$12,835	$11,902
Less: Off-Budget Strategic Petroleum Reserve	- 3,684	- 2,074	- 583
Adjustments*	- 550	- 89	- 44
Net Budget Authority	$ 9,575	$10,672	$11,275
Budget Outlays:			
Total Programs	$12,887	$12,700	$13,018
Less: Off-Budget Strategic Petroleum Reserve	- 3,687	- 1,771	- 1,866
Net Budget Outlays	$ 9,200	$10,929	$11,152

* Adjustments consist primarily of Congressional use of prior year unobligated balances to fund current program levels.

Department of Energy
FY 1984 Budget

Summary

	Budget Authority		
	1982	1983	1984
	($ in Millions)		
Energy:			
Research and Development	$ 3,445	$ 2798	$2,279
Direct Energy Production	642	830	871
Nuclear Waste Disposal Activities	---	217	307
Other Energy Functions	217	175	108
Total, Energy	$ 4,304	$ 4,020	$ 3,565
Strategic Petroleum Reserve	3,875	2,316	742
General Science	500	554	645
Defense Activities	4,905	5,704	6,778
Support Activities	225	241	172
Subtotal, Department of Energy	$13,809	$12,835	$11,902
Adjustments	- 550	- 89	- 44
Off-budget Strategic Petroleum Reserve	- 3,684	-2,074	- 583
Total, Department of Energy	$ 9,575	$10,672	$11,275

Department of Energy
FY 1984 Budget

Research and Development	Budget Authority 1982	Budget Authority 1983	Budget Authority 1984
	($ In Millions)		
Conservation	$ 444	$ 410	$101
Fossil Energy	567	311	138
Solar and Other Renewables	343	253	102
Magnetic Fusion	451	447	467
Nuclear Fission	1,078	816	848
Environment	267	227	211
Supporting Research and Technical Analysis	289	328	408
Policy and Management	6	6	4
Subtotal, Research and Development	$ 3,445	$ 2,798	$2,279
Adjustments	- 545	-182	- 44
Total, Research and Development	$ 2,900	$ 2,616	$ 2,235

FY 1984 Budget

Staffing
Full-Time Equivalents

	FY 1982, Actual	FY 1983	FY 1984
Total Programs	17,945	16,682	15,798

FY 1984 Budget

Magnetic Fusion	Budget Authority		
	1982	1983	1984
	($ in Millions)		
Confinement Systems	$ 155	$ 203	$ 207
Development and Technology	89	84	85
Applied Plasma Physics	73	77	81
Planning and Projects	130	79	89
Program Direction	4	4	5
Subtotal, Magnetic Fusion	$ 451	$ 447	$ 467
Adjustments	-19	---	---
Total, Magnetic Fusion	$ 432	$ 447	$ 467

FY 1984 Budget

Nuclear Fission	Budget Authority 1982	Budget Authority 1983	Budget Authority 1984
	($ in Millions)		
Converter Reactor Systems	$ 95	$ 79	$ 53
Commercial Nuclear Waste	205	42	23
Remedial Action	53	63	94
Nuclear Fuel Cycle	45	43	42
Advanced Nuclear Systems	38	39	34
Breeder Reactor Systems	642	550	602
Subtotal, Nuclear Fission	$ 1,078	$ 816	$ 848
Adjustments	- 23	---	---
Total, Nuclear Fission	$ 1,055	$ 816	$ 848

FY 1984 Budget

Environment	Budget Authority		
	1982	1983	1984
	($ In Millions)		
Environment, Safety and Health	$ 55	$ 39	$ 41
Biological and Environmental Research	212	188	170
Total, Environment	$ 267	$ 227	$ 211

FY 1984 Budget

Supporting Research and Technical Analysis	Budget Authority 1982	1983	1984
	($ in Millions)		
Basic Energy Sciences	$ 241	$ 283	$ 350
Energy Research Analysis	2	3	3
University Research Support	10	6	5
University Research Instrumentation	---	---	6
Program Direction and Oversight	3	2	3
Multi-program Facilities	33	34	41
Subtotal	$ 289	$ 328	$ 408
Adjustments	-8	---	---
Total, Supporting Research and Technical Analysis	$ 281	$ 328	$ 408

FY 1984 Budget

Fossil Energy	Budget Authority		
	1982	1983	1984
	($ in Millions)		
Coal			
Mining Research and Development	$ 11	$ ---	$ ---
Coal Liquefaction	228	37	17
Surface Coal Gasification	54	39	17
Underground Coal Gasification	8	6	2
Advanced Research and Technology Development	56	36	31
Control Technology and Coal Preparation	25	28	17
Heat Engines and Heat Recovery	16	5	1
Combustion Systems	41	24	8
Fuel Cells	35	30	10
Magnetohydrodynamics	28	29	---
Energy Technology Centers	---	24	---
Program Direction	12	8	7
Subtotal, Coal	$ 514	$ 266	$ 110

FY 1984 Budget

Fossil Energy	Budget Authority		
	1982	1983	1984
	($ in Millions)		
Petroleum			
Enhanced Oil Recovery	$ 16	$ 7	$ 11
Oil Shale	19	12	8
Advanced Process Technology	4	5	3
Energy Technology Centers	---	3	---
Program Direction	2	1	1
Subtotal, Petroleum	$ 41	$ 28	$ 23
Gas			
Unconventional Gas Recovery	$ 11	$ 14	$ 5
Energy Technology Centers	---	3	---
Program Direction	1	---	---
Subtotal, Gas	$ 12	$ 17	$ 5
Subtotal, Fossil Energy	$ 567	$ 311	$ 138
Adjustments	$ -149	$ -94	$ -44
Total, Fossil Energy	$ 418	$ 217	$ 94

FY 1984 Budget

Conservation

	Budget Authority		
	1982	1983	1984
	($ in Millions)		
Buildings and Community Systems	$ 48	$ 39	$ 16
Industrial	29	28	11
Transportation	59	54	41
Multi-Sector	16	13	3
State and Local	232	233	3
Electric Energy Systems	21	17	13
Energy Storage Systems	39	26	14
Subtotal, Conservation	$ 444	$ 410	$ 101
Adjustments	- 266	- 88	---
Total, Conservation	$ 178	$ 322	$ 101

FY 1984 Budget

Solar and Other Renewables	Budget Authority		
	1982	1983	1984
	($ in Millions)		
Solar Energy			
Active	$ 12	$ 7	$---
Passive	11	5	---
Photovoltaics	74	58	33
Solar Thermal	56	50	22
Biomass	20	16	17
Wind Energy	34	31	9
Ocean Energy	21	10	---
Alcohol Fuels	10	5	---
International Solar	4	10	---
Solar Technology Transfer	7	3	3
Program Support	3	1	---
Program Direction	4	6	3
Solar Reserve Account	12	---	---
Subtotal, Solar Energy	$ 268	$ 202	$ 87
Hydropower	3	1	---
Geothermal	70	50	13
Geothermal Resources Development Fund	2	---	2
Subtotal, Solar and Other Renewables	343	253	102
Adjustments	-82	---	---
Total, Solar and Other Renewables	$ 261	253	102

FY 1984 Budget

Uranium Enrichment

	Budget Authority		
	1982	1983	1984
	($ in Millions)		
Uranium Enrichment Activities	$ 1,708	$ 1,887	$ 2,167
Advanced Isotope Separation Technology	85	50	73
Uranium Resource Assessment	10	5	---
Subtotal, Uranium Enrichment	$ 1,803	$-1,942	$ 2,240
Revenues	- 1,884	- 1,968	- 2,240
Total, Uranium Enrichment	$ - 81	$ - 26	---

FY 1984 Budget

Naval Petroleum and Oil Shale Reserves	Budget Authority		
	1982	1983	1984
	($ In Millions)		
Naval Petroleum Reserves 1 and 2 (California)	$ 185	$ 197	$ 215
Naval Petroleum Reserves 3 (Wyoming)	21	20	46
Naval Oil Shale Reserves	2	---	---
Program Direction	5	5	5
Total, Naval Petroleum and Oil Shale Reserves	$ 213	$ 222	$ 266

FY 1984 Budget

Power Marketing Administrations	Budget Authority 1982	 1983	 1984
	($ in Millions)		
Alaska Power Administration	$ 4	$ 4	$ 3
Bonneville Power Administration (Borrowing Authority)	276	455	325
Southeastern Power Administration	7	4	21
Southwestern Power Administration	12	21	36
Western Area Power Administration	211	150	220
Total, Power Marketing Administrations	$ 510	$ 634	$ 605

FY 1984 Budget

Emergency Preparedness and Energy Regulation	Budget Authority 1982	1983	1984
	($ In Millions)		
Emergency Preparedness	$ 10	$ 5	$ 5
Energy Regulation	47	28	12
Office of Hearings & Appeals	5	5	5
Total, Emergency Preparedness and Energy Regulation	$ 62	$ 38	$ 22

FY 1984 Budget

Energy Information Administration	Budget Authority 1982	Budget Authority 1983	Budget Authority 1984
	($ in Millions)		
Collection, Production & Analysis	$ 44	$ 32	$ 32
Program Services	19	12	12
Policy & Management	8	7	7
Total, Energy Information Administration	$ 71	$ 51	$ 51

FY 1984 Budget

Federal Energy Regulatory Commission	Budget Authority		
	1982	1983	1984
	($ in Millions)		
Oil Pipeline Regulation	$ 8	$ 6	$ 8
Natural Gas Regulation	40	40	43
Hydropower Licensing	19	22	24
Electric Power Regulation	17	18	20
Offsetting Revenues	---	---	-60
Total, Federal Energy Regulatory Commission	$ 84	$ 86	$ 35

FY 1984 Budget

General Science	Budget Authority		
	1982	1983	1984
	($ In Millions)		
High Energy Physics	$ 364	$ 422	$ 490
Nuclear Physics	134	131	153
Program Direction	2	1	2
Subtotal, General Science	$ 500	$ 554	$ 645
Adjustments	- 5	- 11	---
Total, General Science	$ 495	$ 543	$ 645

FY 1984 Budget

Strategic Petroleum Reserve	Budget Authority 1982	 1983	 1984
	($ in Millions)		
On-Budget			
Planning	$ 9	$ 8	$ 6
Facilities Development	171	222	143
Program Direction	11	12	10
Subtotal On-Budget	$ 191	$ 242	$ 159
Off-Budget			
Petroleum Acquisition and Transportation	$ 3,684	$ 2,074	$ 583
Total, Strategic Petroleum Reserve	$ 3,875	$ 2,316	$ 742

FY 1984 Budget

Defense Activities	Budget Authority		
	1982	1983	1984
	($ in Millions)		
Weapons Activities	$ 2,956	$ 3,325	$ 3,925
Defense Waste & By-Products Management	374	519	611
Materials Production	956	1,203	1,485
Verification and Control Technology	52	54	62
Nuclear Safeguards and Security	47	47	52
Security Investigations	24	29	30
Naval Reactors Development	496	527	613
Total, Defense Activities	$ 4,905	$ 5,704	$ 6,778

FY 1984 Budget

Support Activities

	Budget Authority		
	1982	1983	1984
	($ in Millions)		
Office of the Secretary	$ 2	$ 1	$ 1
Board of Contract Appeals	---	1	1
General Counsel	15	13	12
Inspector General	13	13	15
Management and Administration	137	132	116
Congressional, Intergovernmental & Public Affairs	7	7	3
Power Marketing Coordination	1	1	1
Operations Offices	82	93	77
Minority Economic Impact	2	2	2
Policy Planning and Analysis	15	10	6
International Affairs	5	3	3
Cost of Work for Others	48	109	116
Revenues	-143	-176	-210
In-house Energy Management	24	16	14
Technical Information Center	16	15	14
Plant Engineering and Design	1	1	1
Subtotal, Support Activities	$ 225	$ 241	$ 172
Adjustments	---	13	---
Total, Support Activities	$ 225	$ 254	$ 172

FY 1984 Budget

Policy & Management	Budget Authority 1982	 1983	 1984
	($ In Millions)		
Energy Research	$ 1	$ 1	$ 1
Nuclear Energy	2	2	1
Environmental Protection, Safety and Emergency Preparedness	2	2	1
Conservation & Renewable Energy	1	1	1
Total, Policy & Management	$ 6	$ 6	$ 4

FY 1984 Budget

	Budget Authority		
	1982	1983	1984
	($ in Millions)		
Energy Supply Research & Development:	$ 2,376	$ 2,242	$ 2,094
Uranium Enrichment	- 81	- 26	---
General Science & Research	495	543	645
Atomic Energy Defense Activities	4,905	5,704	6,778
Departmental Administration	186	222	142
Power Marketing Activities	510	634	605
Federal Energy Regulatory Commission	84	86	35
Nuclear Waste Fund	---	217	307
Geothermal Resources Development Fund	2	---	2
Subtotal, Energy and Water Development Activities	$ 8,477	$ 9,622	$ 10,608
Fossil Energy Research & Development	418	218	94
Naval Petroleum & Oil Shale Reserves	213	222	266
Energy Conservation	143	279	74
Emergency Preparedness & Energy Regulation	62	38	23
Strategic Petroleum Reserve	3,875	2,316	742
Energy Information Activities	71	51	51
Subtotal, Interior and Related Agencies Activities	$ 4,782	$ 3,124	$ 1,250
Subtotal, Department of Energy	$ 13,259	$ 12,746	$ 11,858
Less: Off-Budget Strategic Petroleum Reserve	- 3,684	- 2,074	- 583
Total, Department of Energy	$ 9,575	$ 10,672	$ 11,275

FY 1984 Budget

Energy and Water Development Activities
Staffing Full-Time Equivalents

	FY 1982, Actual	FY 1983	FY 1984
Atomic Energy Defense Activities	2,520	2,585	2,705
General Science and Research Activities	30	32	35
Energy Supply Research and Development	1,270	1,109	968
Uranium Supply and Enrichment Activities	126	67	69
Geothermal Resources Development Fund	3	2	2
Departmental Administration	3,939	3,567	2,982
Nuclear Waste Disposal Fund	---	29	96
Power Marketing Administrations	5,259	5,156	5,345
Federal Energy Regulatory Commission	1,594	1,678	1,742
Advances for Cooperative Work	2	2	2
Total, Energy and Water Development Activities	14,743	14,227	13,946

FY 1984 Budget

Interior and Related Agencies Activities
Staffing Full-Time Equivalents

	FY 1982, Actual	FY 1983	FY 1984
Fossil Energy R&D	1,140	790	591
Naval Petroleum & Oil Shale Reserves	105	117	120
Energy Conservation	329	280	128
Emergency Preparedness & Energy Regulation	886	591	333
Strategic Petroleum Reserve	199	197	200
Energy Information Administration	543	480	480
Total Interior & Related Agencies Activities	3,202	2,455	1,852

DOE/MA-0064/1

U.S. Department of Energy

FY 1984
BUDGET HIGHLIGHTS

JANUARY 1983
U.S. DEPARTMENT OF ENERGY
ASSISTANT SECRETARY,
MANAGEMENT AND ADMINISTRATION
OFFICE OF THE CONTROLLER
WASHINGTON D.C. 20585

=====================================

NOTICE

There Should Be No Release Of
Information Contained In This Document
Until 12 p.m. Noon (E.S.T.)
Monday, January 31, 1983

=====================================

Department of Energy
FY 1984 Budget Highlights

Table of Contents

Page No.

Overview 1

Energy Programs 5
  Research and Development 7
    Magnetic Fusion 7
    Nuclear Fission 8
    Environment 11
    Supporting Research and Technical Analysis 12
    Fossil Energy 14
    Conservation 15
    Solar and Other Renewables 16
  Direct Energy Production 19
    Uranium Enrichment 19
    Naval Petroleum and Oil Shale Reserves 21
    Power Marketing Administrations 21
  Nuclear Waste Disposal Activities 23
  Other Energy Functions 25
    Emergency Preparedness 25
    Energy Information Administration 25
    Economic Regulatory Administration 25
    Office of Hearings and Appeals 26
    Federal Energy Regulatory Commission 26

General Science 27

Strategic Petroleum Reserve 29

Defense Activities 31

Support Activities 37

Appendices 39
  Appendix A: Organization Chart 41
  Appendix B: Department of Energy Facilities 43
  Appendix C: Budget by Organization 45
  Appendix D: Budget by Appropriation 47

OVERVIEW

The FY 1984 budget request for the Department of Energy represents a carefully balanced proposal for meeting the Federal government's objectives in energy research and development and general science research, preparing for future petroleum emergencies, and maintaining our national defense capabilities. This budget preserves past Federal investments in energy technologies, but is also formulated in support of the imperative need to control Federal spending. It concentrates on supporting long-term, high-risk energy research and development with high payoff potential, while leaving near-term development and technology deployment to the private sector and the free market. The budget strongly supports general science research as a "national trust" undertaking, not confined to energy-specific activities, and continues to build a capability to mitigate the effects of a future oil supply interruption, primarily through developing and filling the Strategic Petroleum Reserve. Finally, the budget request will meet the Department's responsibility to support the national security mission of the Department of Defense through the development, testing, and production of nuclear weapons and materials.

A major achievement of the 97th Congress was passage of the Nuclear Waste Policy Act of 1982, which was signed into law by the President on January 7, 1983. This Act created a Nuclear Waste Fund, financed by fees paid by nuclear utilities, to fund activities leading to the eventual operation of a commercial high-level nuclear waste repository. The operation of this Fund and performance of the vitally important activities mandated by the Act are currently under way and are a major feature of the Department's FY 1984 budget.

The budget request summarized in this document is presented in a format appropriate to the existing Department of Energy. However, the Administration believes that the nature of the Federal effort required to assist in the meeting of national energy objectives no longer requires a separate Cabinet-level agency devoted solely to energy. Consequently, in 1983 legislation will be proposed to Congress which would reassign Federal energy activities currently performed by the Department of Energy to appropriate executive departments and agencies.

The budget request is summarized below. In this and all subsequent tables, the FY 1983 figures represent our best estimate of final Congressional appropriations. Programs funded by Interior and Related Agencies Appropriations are shown at the levels contained in Public Law 97-394, the FY 1983 Interior and Related Agencies Appropriation Act. Programs funded by Energy and Water Development Appropriations are shown at levels permitted by the current FY 1983 Continuing Resolution, Public Law 97-377.

DEPARTMENT OF ENERGY	Budget Authority (in millions) FY 1983 Estimate	FY 1984 Request
Energy Programs		
Research and Development	$ 2,798.3	$ 2,279.6
Direct Energy Production	829.6	870.8
Nuclear Waste Disposal Activities	217.3	306.7
Other Energy Functions	174.6	108.0
Subtotal, Energy Programs	$ 4,019.8	$ 3,565.1
General Science	554.1	645.2
Strategic Petroleum Reserve	2,316.2	741.9
Defense Activities	5,703.7	6,778.1
Support Activities	240.8	171.3
Payments to States	0.5	0.6
Subtotal	$12,835.1	$11,902.2
Adjustments	-89.0 a/	-44.0 b/
Subtotal, Budget Authority	12,746.1	11,858.2
Less: Off-budget Strategic Petroleum Reserve	-2,074.1	-583.1
TOTAL, DEPARTMENT OF ENERGY	$10,672.0	$11,275.1

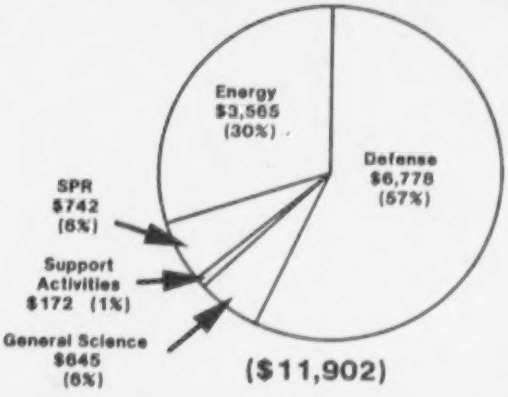
a/ Adjustments include undistributed budget authority available under Public Law 97-377 and unobligated balances carried forward to finance FY 1983 programs as follows:

Undistributed budget authority:	
Energy Supply R&D	$ 91.1 million
Departmental Administration	$ 13.2 million
	+$104.3 million
Unobligated balances carried forward:	
General Science	$ -11.5 million
Fossil Energy	$ -93.8 million
Conservation	$ -88.0 million
	$-193.3 million
TOTAL ADJUSTMENTS:	$ -89.0 million

b/ Use of prior year funds.

Overall, the Department's request for FY 1984 represents a decrease of 7 percent from the FY 1983 funding estimates.

Breakdown of DOE Programs by Primary Mission (Budget Authority in Millions)



Energy functions comprise about 30 percent of the Department's budget for FY 1984. This budget continues the redirection of these programs away from near-term technology demonstration in favor of pursuing mainly long-term, high-risk research and development with potentially high payoff which the private sector cannot reasonably be expected to undertake.

The Strategic Petroleum Reserve funding request is for $742 million, reflecting the significant improvement in our protection levels and a more optimistic supply situation. This will permit a fill rate of 145,000 barrels per day in FY 1984, leading to a cumulative fill of 410 million barrels in storage at the end of 1984.

General Science programs show a funding increase of 16 percent over FY 1983, reflecting the expanded research capabilities resulting from the availability of major new facilities in the High Energy Physics and Nuclear Physics research areas.

Defense Activities account for over half of the Department's FY 1984 budget request, reflecting the Department's commitment to fulfill Department of Defense requirements for nuclear weapons and materials production.

Support Activities are reduced to 1 percent of the FY 1984 budget request as a result of increased revenues and decreasing employment due to the continued scaling-down of marginal programs and increased contractor support in non-Federal support functions.

Overall, the Department of Energy's budget provides adequate funding to continue all essential Federal energy, defense and related functions in FY 1984. The following pages discuss each activity in greater detail.

ENERGY PROGRAMS

The funding request for Energy Programs totals $3,521.1 million after adjustments, a decrease of $408.0 million from the estimated funding for FY 1983. Energy programs can be divided into four categories: research and development, direct energy production, nuclear waste disposal activities, and other energy functions. The following table shows our request by these major groupings:

ENERGY PROGRAMS	Budget Authority (in millions) FY 1983 Estimate	 FY 1984 Request
Research and Development	$2,798.3	$2,279.6
Direct Energy Production	829.6	870.8
Nuclear Waste Disposal Activities	217.3	306.7
Other Energy Functions	174.6	108.0
Subtotal	$4,019.8	$3,565.1
Adjustments	-90.7	-44.0
TOTAL, ENERGY PROGRAMS	$3,929.1	$3,521.1

Research and Development programs encompass a wide variety of technologies at various stages of development, which seek to produce and utilize energy safely and efficiently from new and existing resources.

Direct Energy Production programs include the Department's activities in uranium enrichment, oil production, and the marketing of power produced by Federal hydropower projects.

Nuclear Waste Disposal Activities are related to development, construction, and operation of a commercial high-level waste repository and studies of interim storage concepts, as required by Public Law 97-425, the Nuclear Waste Policy Act of 1982.

Other Energy Functions include the collection, analysis, and distribution of energy information; energy regulation; and certain emergency preparedness activities.

RESEARCH AND DEVELOPMENT

Research and Development programs are primarily long-term, high-risk efforts aimed at expanding domestic energy supplies and achieving greater efficiency in energy use. In addition to specific energy technology programs, the Department conducts research in basic energy sciences and on the environmental impacts of energy technologies. These activities are carried out by university, industry, and government research personnel, utilizing highly specialized research facilities.

RESEARCH AND DEVELOPMENT	Budget Authority (in millions) FY 1983 Estimate	Budget Authority (in millions) FY 1984 Request
Magnetic Fusion	$ 447.1	$ 467.0
Nuclear Fission	815.8	848.2
Environment	227.2	210.6
Supporting Research and Technical Analysis	328.3	408.5
Fossil Energy	311.4	138.0
Conservation	410.2	101.3
Solar and Other Renewables	252.6	102.3
Policy and Management	5.7	3.7
Subtotal	$2,798.3	$2,279.6
Adjustments	-90.7	-44.0
TOTAL, RESEARCH AND DEVELOPMENT	$2,707.6	$2,235.6

Magnetic Fusion

Successful development of fusion energy would ultimately provide access to an inexpensive and essentially inexhaustible domestic energy resource base. The objective of the Magnetic Fusion Energy program is to develop an economically competetive technology in an environmentally sound manner. The current program plan has three phases. The first phase seeks to achieve near-term scientific feasibility; the second phase concentrates on product definition to demonstrate a credible reactor concept; and the final phase will emphasize product development leading to construction of commercial fusion power reactors. At the present time, confidence in near-term demonstration of the scientific feasibility of fusion has grown to the point that the program has begun moving into the product definition phase. Two confinement concepts, the tokamak and the tandem mirror, are developed to the point that both are ready to attempt production of reactor-grade plasmas. In FY 1983-84, several major new fusion facilities will begin operations: the Large Coil Project, the Tritium System Test Assembly, and the Tokamak Fusion Test Reactor (TFTR). In 1986, the TFTR will be the first fusion device in the world to attempt to demonstrate energy breakeven. The TMX tandem mirror facility has already established the basic principles of the tandem mirror concept, and the Mirror Fusion Test Facility-B will investigate the physics and engineering principles of tandem mirror reactors when it is completed in 1987.

The FY 1984 budget request of $467.0 million will provide the necessary support for continuing the development of the two leading fusion concepts, tokamak and tandem mirror, and the support of experiments on alternate confinement concepts, including the Reverse Field Pinch and Compact Toroids. Another significant element of the FY 1984 budget strategy is to maximize coordination with foreign fusion programs, including those in Japan, West Germany, and the USSR, and provide limited funding to initiate a joint international cooperative research effort on the Fusion Materials Irradiation Test Facility construction project.

Nuclear Fission

The Department's Nuclear Fission activities are designed to provide the technological base to revitalize industry's efforts to continue the development of nuclear power as an economic and environmentally acceptable source of baseload electric power. The program includes licensing reform for conventional reactors, research on breeder reactor systems and fuel reprocessing technologies, and concentrates on nuclear waste disposal technologies. The budget request allocates funding as follows:

	Budget Authority (in millions)	
NUCLEAR FISSION	FY 1983 Estimate	FY 1984 Request
Converter Reactor Systems	$ 78.8	$ 53.2
Commercial Nuclear Waste	42.2	22.6
Advanced Nuclear Systems	38.9	34.1
Nuclear Fuel Cycle	42.6	41.8
Breeder Reactor Systems	549.9	602.5
Remedial Action	63.4	94.0
TOTAL, NUCLEAR FISSION	$ 815.8	$ 848.2

Converter Reactor System

The objective of the Converter Reactor Systems program is to resolve the technical, institutional, financial, and regulatory barriers to the further deployment of converter reactors by industry. Our budget request consists of the Three Mile Island activities and an international cooperative program which makes use of the Loss of Fluid Test Facility to conduct safety-related reactor tests under the direction of an international consortium of member countries of the Organization for Economic Cooperation and Development and DOE.

The overall objective of the Three Mile Island (TMI) activities is to enhance the safety and reliability of nuclear power reactors and improve the capability to decontaminate civilian power plants. In FY 1984, activities will concentrate in two principal areas. The data acquisition subprogram will concentrate on the survivability of instrumentation and electrical equipment, the behavior of radioactive materials, and examination of offsite radioactive debris. The much larger waste immobilization and reactor evaluation subprogram will examine techniques for treating and immobilizing abnormal waste produced at TMI, and will pursue developments associated with the examination, removal, and disposition of the reactor core and internal assemblies. Core disassembly and fuel removal are to be accomplished in FY 1984. The knowledge gained from the TMI program will provide valuable data for evaluating present licensing criteria and requirements, developing future licensing criteria, and evaluating improvements to reactor design, operation, and maintenance.

Commercial Nuclear Waste

The objective of the Commercial Nuclear Waste program is to support technologies related to the disposal of commercial radioactive waste.

The FY 1984 budget request for Commercial Nuclear Waste is $22.6 million. The major elements of the program include development and demonstration of waste treatment technologies for the treatment and immobilization of radioactive waste prior to its storage and ultimate disposal; facilitating the establishment of a reliable system for the treatment and disposal of low-level waste; and participating with States and regional state compacts in demonstrating technology and in selecting sites for licensed low-level waste burial. Studies of subseabed disposal are included, as are studies of waste transportation technology.

Advanced Nuclear Systems

This program is responsible for the development and delivery of nuclear power sources for U.S. military and civilian space and terrestrial missions and other special applications. In fiscal year 1984, the budget request is $34.1 million. A major activity will continue to be the development of the isotope power sources for the NASA Galileo spacecraft planned for launch in 1986 and the NASA/European Space Agency Solar polar spacecraft, also planned for launch in 1986. Also included is the development of a space nuclear reactor power source capable of producing electicity in the 100 Kw(e) power range or above. Space reactor power systems in this power range will be needed for potential DOD applications in communications and surveillance or other national defense missions and for NASA applications involving planetary exploration.

Nuclear Fuel Cycle

The Nuclear Fuel Cycle program activities focus on development of the Liquid Metal Fast Breeder Reactor fuel cycle and generic R&D on spent fuel storage. The former task provides for the development, design, and cold testing of advanced systems for the reprocessing of breeder fuel. The latter task includes development of technologies to store limited quantities of spent fuel on an interim basis pending repository availability. The FY 1984 budget request is $41.8 million.

Breeder Reactor Systems

The goal of the Breeder Reactor Systems program is to bring the Liquid Metal Fast Breeder Reactor (LMFBR) technology to commercial readiness and to continue the closeout of the Water Cooled Breeder technology demonstration for improving the efficiency of nuclear fuel utilization.

The LMFBR program seeks to create an essentially inexhaustable supply of nuclear energy resources. Operating experience in the United States and abroad has thoroughly demonstrated the technical feasibility of breeder reactors. What remains to be developed is assurance that breeder reactors can be deployed economically and safely in an environmentally acceptable manner. The Federal role is to develop that assurance, with private industry retaining responsibility for commercialization. The budget request for the Breeder Reactor Systems program is $602.5 million. The principal plant project included in the LMBFR program is the Clinch River Breeder Reactor (CRBR), for which the budget request is $270.0 million. The overall objective of the CRBR project is to design, construct, and test the Nation's first intermediate scale (375 megawatt electric) LMFBR power plant and operate the plant as part of a utility system. In FY 1983, site preparation activities will be essentially completed. In FY 1984, plant design will be virtually completed and construction of the plant foundations will begin upon receipt of authorization from the Nuclear Regulatory Commission. Hardware valued at approximately $485 million will have been delivered.

The CRBR has long been a controversial project, and funding was provided for FY 1983 subject to certain restrictions on its use, and with a requirement for a vigorous exploration of possible methods of reducing Federal budget requirements for the CRBR or alternative projects. In compliance with this requirement, the Department is seeking alternative methods of financing this costly but extremely valuable project.

The large scale prototype breeder (LSPB), a conceptual study of a commercial scale LMFBR, may follow the CRBR project and would provide essential information to be used by the private sector in their decision on when to commercially introduce breeders. The LSPB will be funded by the private sector. During FY 1983 and FY 1984, a joint government/utility effort will be conducted to develop plans for proceeding into the conceptual design of LSPB. The results of this activity may determine the government and private sector roles and the timing of future efforts to design and construct a near commercial scale LMFBR. The breeder base technology development program is requested at $271.8 million, and seeks to develop components, fuels, core designs, engineering systems, and materials suitable for breeder reactors, and operates a number of highly specialized facilities which test components, safety procedures, and system operations.

The Water Cooled Breeder program seeks to prove that the breeding of nuclear fuel can be achieved in light water nuclear reactors using a special fuel system. The principal activities in FY 1984 concern defueling operations at the Shippingport reactor, including core physics and engineering testing, fuel removal and partial disassembly of the core, as well as transferring fuel from Shippingport to the Extended Core Facility for disassembly and core examinations to determine proof of breeding.

Remedial Action

The objectives of the Remedial Action program are to treat or stabilize radioactive wastes and to perform required decontamination and decommissioning at contaminated DOE and legislatively-mandated facilities and sites. The five major program areas include remedial action at formerly-utilized Manhattan Engineering District and Atomic Energy Commission (MED/AEC) sites, at Grand Junction, Colorado, and at inactive uranium mill tailings sites; management of certain radioactively contamined surplus civilian nuclear energy program facilities; and the West Valley high-level waste solidification demonstration project.

The budget request for FY 1984 is $94.0 million. This will provide funding for the cleanup of the central ditch adjacent to the Niagara Falls Storage Site in New York as well as completion of the interim stabilization and cleanup of the site itself. Funding is also requested for completion of remedial action design engineering and NEPA documentation for the Linde Air Products site in Tonawanda, New York, the Dupont Site in Deepwater, New Jersey, and the Middlesex Landfill and Sampling Plant in Middlesex, New Jersey; initation of remedial action at the Canonsburg, Salt Lake City, and Shiprock uranium mill tailing processing sites; continuation of vicinity property cleanup at Canonsburg, Salt Lake City and Grand Junction and initiation of efforts at Durango and Rifle; and completion of Title I design for the high-level waste solidification system, decontamination and decommissioning of four hot cells, and expansion of low-level and transuranic waste handling capability for the West Valley Demonstration Project.

Environment

The Government is required to formulate programs so that the nation can effectively balance its energy production requirements with the need to protect the environment. Environment, health, and safety factors will continue to be closely integrated into energy research and development activities. The budget is allocated as follows:

	Budget Authority (in millions)	
ENVIRONMENT	FY 1983 Estimate	FY 1984 Request
Environment, Safety, and Health	$ 39.0	$ 40.4
Biological and Environmental Research	188.2	170.2
TOTAL, ENVIRONMENT	$ 227.2	$ 210.6

Environment, Safety, and Health

The goal of the Environment, Safety, and Health program is to develop policies and standards for safety in all Agency processes and programs; assure public safety and environmental protection at all Agency facilities; and assure Departmental compliance with environmental statutes, regulations, and standards. Planned 1984 activities include issuing revised environmental protection, safety and health protection (ES&H) guidance as required for Departmental operations, and conducting appraisals of ES&H performance at four of the eight Operations Offices; developing training guidance for reactor operators to improve operational safety at DOE nuclear facilities; maintaining a viable radiological emergency response capability for DOE facilities, and reviewing documentation in response to Public Law 91-190, the National Environmental Policy Act of 1969. In addition, the program will maintain oversight of the Remedial Action program efforts at uranium mill tailings and other former nuclear sites, analyze proposed regulations or statutes for impact on DOE programs, and maintain oversight of health and environmental issues resulting from nuclear weapons tests at the Marshall Islands and Nevada Test Sites. The budget request for FY 1984 is $40.4 million.

Biological and Environmental Research

The goal of Biological and Environmental Research is to develop a comprehensive research program to obtain baseline data for determining health and environmental effects associated with the production and utilization of this Nation's domestic energy resources. This program will support long-term generic research on health and environmental effects associated with energy development and use; research on the global carbon cycle and the effects of increasing carbon dioxide on climate; research on the occupational effects of low-level ionizing radiation from nuclear power and defense activities; and development of new medical applications of radiation for diagnosis and treatment of human disease.

In FY 1984, the budget request of $170.2 million will continue to support long-term research to determine any delayed biological effects resulting from exposure to low doses of ionizing radiation, complex energy-related chemical mixtures, and specific chemical compounds which have been shown to be potentially hazardous. In addition, research will be conducted to provide fundamental information on the structure and function of key biological molecules and mechanisms of pollutant-induced damage. Research will continue to develop new and improved uses of stable and radioactive isotopes for use in medical applications. This program will also include a comprehensive research effort on the climatic and environmental effects of increased levels of carbon dioxide in the atmosphere.

Supporting Research and Technical Analysis

The role of Supporting Research and Technical Analysis is to expand the scientific and engineering knowledge base on which the Nation's future energy options depend, and to provide independent, objective analysis and assessments of research and technical needs relating to energy. The FY 1984 funding request for this effort is $408.5 million, allocated as follows:

	Budget Authority (in millions)	
SUPPORTING RESEARCH AND TECHNICAL ANALYSIS	FY 1983 Estimate	FY 1984 Request
Basic Energy Sciences	$ 282.9	$ 350.2
Energy Oversight, Research Analysis, and University Support	11.4	11.7
University Research Instrumentation	—	6.0
Multiprogram General Purpose Facilities	34.0	40.6
TOTAL, SUPPORTING RESEARCH AND TECHNICAL ANALYSIS .	$ 328.3	$ 408.5

Basic Energy Sciences

The purpose of the Basic Energy Sciences (BES) program is to provide knowledge that is relevant to energy exploration, production, conversion, and use. To carry out the program, BES plans, supports, and administers energy related research in the physical and biological sciences, engineering, applied mathematics, and geosciences. Research carried out by the BES program provides knowledge that cuts across the missions of all of the Department's technology development programs.

In FY 1984, the budget request of $350.2 million will enable the program to continue the ongoing core research program and will permit some growth in biological energy research, advanced energy projects, and engineering, mathematics and geosciences. In addition, BES will continue to operate a network of research facilities at the national laboratories, some of which are unique in the world. Fiscal year 1983 is the first full year of operation for two important basic research facilities: the National Synchrotron Light Source, and the 1.5 MeV electron microscope at the Lawrence Berkeley Laboratory. Also in FY 1983, operation of the Atomic Resolution Microscope will begin, and operating responsibility for the Stanford Synchrotron Radiation Laboratory will be assumed. In FY 1984, major research efforts will include materials research necessary for the realization of future energy options (i.e., substitute materials and materials modification), chemical research related to development and use of domestic energy resources, and research relevant to the nuclear fusion and fission programs. A major new initiative will be undertaken in materials science at the Lawrence Berkeley Laboratory. Two new construction projects will be initiated and research started with the overall goal of improving the linkage among academic, national laboratory, and industry scientists for the future advancement of high technology industries.

Energy Oversight, Research Analysis, and University Support

This program grouping consists of three elements: Energy Research Analysis, University Research Support, and Advisory and Oversight Program Direction.

The Energy Research Analysis program provides funding for independent, objective assessment of research and development programs and related issues. The FY 1984 budget request of $2.8 million is expected to support three major technology assessments and up to four program assessments.

The FY 1984 budget request of $5.5 million for University Research Support maintains $1.5 million for the Reactor Fuel Assistance Program, and $3.5 million for the University Laboratory Cooperative Program, and $0.5 million for manpower development programs.

Advisory and Oversight Program Direction funds the personnel who administer the field operations management, University Research Support, Energy Research Analysis, and Multiprogram General Purpose Facilities programs. It also supports the Energy Research Advisory Board. The budget request for these activities is $3.4 million in FY 1984.

University Research Instrumentation

The FY 1984 request of $6.0 million for the University Research Instrumentation Program provides funding to support the purchase of state-of-the-art scientific instrumentation. This equipment will be used by universities for research in energy-related areas such as combustion, materials, catalysis, and radioactive waste management.

Multiprogram General Purpose Facilities

The objective of the Multiprogram General Purpose Facilities program is to replace or rehabilitate general purpose facilities at the 12 multiprogram laboratories and the Richland Operations Office. The investment in offices, laboratories, warehouses, electrical and mechanical utilities, roads, and railroads is substantial. The average age of buildings and utilities is 25 years. The Multiprogram General Purpose Facilities program was established in recognition that replacement of aging general purpose facilities is a legitimate cost of conducting research and development work at the laboratories. For FY 1984, the program requests $40.6 million to continue construction projects begun in prior years and to initiate four new projects.

Fossil Energy

Fossil fuels accounted for 90 percent of the energy consumed in the United States during 1980, and will supply the majority of the Nation's energy needs into the next century. The United States has abundant domestic supplies of coal, petroleum, oil shale, and natural gas, and the role of the Department's Fossil Energy program is to establish an adequate scientific and engineering knowledge base so that the private sector can apply new and improved technologies for making use of these vast resources. Consequently, the Department concentrates on long-term, high-risk research and development which industry could not be expected to undertake on its own, while leaving the commercial introduction of developed technologies to the private sector. The budget request for Fossil Energy programs is shown below:

	Budget Authority (in millions)	
FOSSIL ENERGY	FY 1983 Estimate	FY 1984 Request
Coal	$ 266.6	$ 109.5
Petroleum	27.8	23.3
Gas	17.0	5.2
Subtotal	$ 311.4	$ 138.0
Adjustments	-93.8	-44.0
TOTAL, FOSSIL ENERGY	$ 217.6	$ 94.0

Coal

In FY 1984, the Coal program will concentrate on the research and development of high priority, long-term, high-risk, advanced technologies related to the direct combustion, liquefaction and gasification of coal. In addition, research and development will continue on heat engines, fuel cells, and advanced coal cleaning technologies. Activities in the Coal program will be conducted principally at the bench and laboratory scale level. The objectives of the program will be to continue generic technology base R&D and research into specific environmental aspects related to coal, and to operate experimental facilities with unique capabilities to develop data which will assist the private sector in making decisions as to the potential commercial application of the technology. The budget request for Coal programs is $109.5 million.

Petroleum

In FY 1984, the Petroleum program will emphasize enhanced recovery techniques on light and heavy oil, tar sands, and oil shale chemistry and physics relating to resource recovery and utilization. Special emphasis in oil shale will be placed on environmental mitigation research and development. In addition, broad based, generic, cross-cutting R&D will be conducted that is specifically supportive of all petroleum related activities. The FY 1984 budget request is $23.3 million.

Gas

The Gas program will emphasize the development of cost-effective diagnostic and extraction technologies required to produce gas efficiently and economically from the vast unconventional gas resources. In addition, efforts will be undertaken towards substantiating and characterizing the gas resource potential of methane hydrates, and deep source (abiogenic) gas. The budget request for these activities is $5.2 million.

Conservation

The aim of the Energy Conservation Research program is to conduct basic research in fields of scientific inquiry where new knowledge can expand the generic technology base underlying energy conservation. This will allow the private sector to develop ways to make more efficient use of available energy and to facilitate use of nonpetroleum energy sources. The FY 1984 budget request is allocated to conservation research subprograms as follows:

	Budget Authority (in millions)	
CONSERVATION	FY 1983 Estimate	FY 1984 Request
Buildings and Community Systems	$ 39.1	$ 16.4
Industrial Energy Conservation	27.9	10.6
Transportation	53.9	41.0
Multi-Sector	12.7	3.1
State and Local	233.7	3.3
Electric Energy Systems	17.2	12.7
Energy Storage Systems	25.7	14.2
Subtotal	$ 410.2	$ 101.3
Adjustments	-88.0	---
TOTAL, CONSERVATION	$ 322.2	$ 101.3

Buildings and Community Systems

The budget request for Buildings and Community Systems is $16.4 million. This program will conduct generic technology base research and development in materials processes, heat transfer and fluid mechanics, and thermochemical conversion related to new and existing buildings. The major focus will be on improving the energy efficiency of building envelopes, insulation, heat pumps, lighting, and furnaces.

Industrial Energy Conservation

The Industrial Energy Conservation program seeks to increase energy use efficiency and to promote the substitution of alternative fuels for conventional fuels in the industrial sector. The FY 1984 program concentrates on combustion efficiency improvement, waste heat recuperators, industrial heat pumps, conversion of industrial waste to fuels and feedstocks, energy efficient separation systems, and advanced sensors and process control systems. The FY 1984 budget request is $10.6 million.

Transportation

The Transportation program focuses on improved energy efficiency in transportation to reduce the energy consumed by the transportation sector, and to reduce, to the maximum extent practicable, transportation's nearly complete dependence on petroleum. The budget request for this program is $41.0 million, which will continue major efforts in heat engine development, advanced materials development, alternative fuels utilization, and electric vehicle battery and propulsion systems development.

Multi-Sector

The Multi-Sector program supports basic research and exploratory development of new concepts that offer increased efficiencies in energy conversion and utilization applications. The focus in FY 1984 will be on the heat engine combustion process and continuation of tribology activities. The FY 1984 budget request is $3.1 million.

State and Local

The FY 1984 budget request of $3.3 million supports the management resources required to provide for the orderly closeout of the State and Local grants programs.

Electric Energy Systems

The objective of this program is to foster effective integration of new technologies into utility systems and to conduct research on improved methods of power transmission. In FY 1984, the budget request of $12.7 million will support research in high voltage transient and steady state technology, large scale system theory, high frequency data and control networks, and load flow and load leveling.

Energy Storage Systems

This program will continue to support other energy supply and conservation programs through the development of batteries and other storage technologies for a variety of end-use applications. The FY 1984 budget request is $14.2 million.

Solar and Other Renewables

Solar and Other Renewable Energy resources offer the potential for significant contributions toward achieving energy self-sufficiency over the long term. In addition to direct solar energy technologies, such as photovoltaics and solar thermal, this energy research category includes biomass, wind, and geothermal energy technologies. In FY 1984, funding is allocated among these programs as follows:

SOLAR AND OTHER RENEWABLES	Budget Authority (in millions) FY 1983 Estimate	Budget Authority (in millions) FY 1984 Request
Active	$ 6.7	$ —
Passive	5.0	—
Photovoltaics	58.0	32.7
Solar Thermal	49.5	21.9
Wind	31.4	8.6
Ocean	10.5	—
Biomass	16.0	17.3
Solar Technology Transfer	3.0	3.1
Solar Program Direction	5.9	3.0
Other Solar	16.0	—
Geothermal	49.6	13.6
Geothermal Resources Development Fund	—	2.1
Hydropower	1.0	—
TOTAL, SOLAR AND OTHER RENEWABLES	$ 252.6	$ 102.3

Active, Passive, and Other Solar; Ocean Energy Systems; and Hydropower

No new funds have been requested to continue these activities in FY 1984. The technology base is well established for Active and Passive Solar, and basic and generic research which may be applicable to these technology areas is being conducted in the broader Solar Thermal program. The Other Solar category includes international solar activities, which will have been completed in FY 1983, and alcohol fuels activities, where a solid technological base has been developed which can benefit from basic research conducted in the Biomass program. The technical feasibility of Ocean Thermal Energy Conversion (OTEC) has been established, and studies have indicated that OTEC is cost competitive today in certain island markets. Consequently, no funds are requested in FY 1984. The Hydropower program goal has been to help industry reestablish an updated small-scale hydropower technology base through demonstration projects, engineering development, and feasibility study loans. An orderly close-out of the program began in FY 1981 and will be completed in FY 1983.

Photovoltaics

The goal of the Photovoltaic Energy Technology program is to advance scientific understanding and establish a technology base needed for the private sector to develop and utilize advanced photovoltaic energy systems for electric generation.

For FY 1984, the thrust of the program will continue to be concentrated on technological advances that would result in higher cell efficiency or lower cost. This will be accomplished through materials and cell research, cell theory and validation studies, and testing and reliability studies. A 10-fold improvement is required in efficiency/cost for sustained market penetration. The FY 1984 request for Photovoltaics is $32.7 million.

Solar Thermal

Solar Thermal technologies aim to provide the technology base from which the private sector can develop, manufacture and commercialize solar energy systems to heat, cool and light buildings, produce industrial process heat and steam, and generate electricity. Solar heat technologies consists of three major activities: materials research, central receiver technology, and heat transfer systems analysis. The FY 1984 budget request for Solar Thermal activities is $21.9 million.

Wind

The objective of the Wind Energy Technology program is to develop the technology base which will permit the private sector to deploy advanced wind energy systems for the generation of electricity. In FY 1984, work will proceed in aerodynamics research on large wind systems and Darrieus Vertical Axis wind turbines, and on research aimed at overcoming structural fatigue resulting from high cyclical loads and amplified dynamic stress. The FY 1984 budget for Wind activities is $8.6 million.

Biomass

The primary goal of the Biomass Energy Technology program is to establish a technological base for feedstock production and energy conversion which will enable the private sector to develop new energy supply technologies. The program is investigating the means to increase biomass energy feedstock through species screening and genetic engineering. Attention is also focused on the development of economic conversion processes capable of producing solid, liquid and gaseous fuels from biomass sources such as cellulosic materials, residues and other organic matter.

The FY 1984 program will concentrate on fundamental research and development of the technology base. Industry is expected to introduce the technology into the market place when its economic potential is established. The FY 1984 budget request for Biomass activities is $17.3 million.

Solar Technology Transfer

The objective of the Solar Technology Transfer program is to assure that the results of long-term, high-risk research and development in solar technologies are transmitted to scientists, engineers, and decision makers in the public and private sectors. The FY 1984 budget for technology transfer activities is $3.1 million.

Geothermal

The Department's Geothermal program explores alternative means of meeting the nation's energy demands through long term research which will build a technology base that could be used for future geothermal development by the private sector. The FY 1984 budget for Geothermal activities is $13.6 million.

Geothermal Resources Development Fund

The Geothermal Resources Development Fund was established to accelerate the development and utilization of geothermal energy through loan guarantees which facilitate private credit to geothermal projects. The FY 1984 budget requests $2 million for interest differential payments on an existing loan guarantee to the Northern California Power Agency and provides $100,000 for monitoring existing guaranteed loans.

DIRECT ENERGY PRODUCTION

The Department produces energy directly as a result of the programs to enrich uranium, produce oil from the Naval Petroleum Reserves, and market electric power produced by Federal hydropower projects. Estimated production and distribution costs in FY 1984 total $3,110.8 million, and estimated revenues total $4,119.5 million. The revenues received from the sale of enriched uranium are authorized to be used to offset the costs of providing the service. The revenues generated from the sale of power from four of the five Power Marketing Administrations are deposited directly in the Treasury as are receipts from the sale of oil and related petroleum products from the Naval Petroleum Reserves. Bonneville Power Administration revenues are deposited in a revolving fund.

Production and distribution costs, anticipated revenues, and net appropriation requirements for the Department's Direct Energy Production activities are shown below:

	Budget Authority (in millions)	
DIRECT ENERGY PRODUCTION	FY 1983 Estimate	FY 1984 Request
Production and Distribution Costs		
Uranium Enrichment	$1,942.1	$2,240.0
Naval Petroleum and Oil Shale Reserves	222.0	266.1
Power Marketing Administrations	633.8	604.7
TOTAL, DIRECT ENERGY PRODUCTION	$2,797.9	$3,110.8
Revenues		
Uranium Enrichment (offset against costs)	$1,968.3	$2,240.0
Naval Petroleum and Oil Shale Reserves (Deposits to Treasury Net of Windfall Profits Tax)	1,675.5a/	1,285.7
Power Marketing Administrations (Deposits to Treasury) .	478.4	593.8
TOTAL, REVENUES	$4,122.2	$4,119.5

a/ Includes effect of $364 million adjustment to windfall profits tax receipts for FY 1980-82 pursuant to the Technical Corrections Act of 1982.

The net appropriation requirements for the Department's Direct Energy Production activities are:

Production and Distribution Costs	$2,797.9	$3,110.8
Less: Uranium Enrichment Revenues	1,968.3	2,240.0
Net Appropriation Requirement	$ 829.6	$ 870.8

Uranium Enrichment

The goal of the Uranium Enrichment activities program is to meet domestic, foreign and United States Government requirements for uranium enrichment services in the most economical, reliable, safe and environmentally acceptable manner possible.

The Department presently enriches uranium to the desired U-235 product assay levels in its gaseous diffusion plants located at Oak Ridge, Tennessee; Portsmouth, Ohio; and Paducah, Kentucky. These plants were built in the 1940's and 1950's and were operated initially to satisfy defense requirements for U-235. They are now operated primarily to provide enrichment services to domestic and foreign utility customers. In these plants, the Department enriches customer-provided natural uranium in the U-235 component for a fee which recovers the cost of providing the services.

The FY 1984 budget for Uranium Enrichment activities has been structured to enhance the competitive position of the United States in the international market by reducing costs and corresponding separative work prices to the maximum extent possible. Additional reductions have been made in all budget categories beyond those made in FY 1982 and 1983.

The FY 1984 budget request for Uranium Enrichment activities is $2,240.0 million. This includes funding requirements for the three major elements of the program: gaseous diffusion operations and support ($1,485.2 million); gas centrifuge operations and support ($681.8 million); and advanced isotope separation ($73.0 million). Funds requested for gaseous diffusion operations are primarily for electric power required for the production of 12.1 million separative works units (SWU) of enriched product.

A major portion of the budget request ($572.0 million) is for continued construction of the Portsmouth Gas Centrifuge Enrichment Plant (GCEP). The GCEP will provide an additional 2.2 million SWU of enrichment capacity by 1989. The importance of the gas centrifuge technology is that it uses less than five percent of the power required by the gaseous diffusion technology, and can therefore provide enrichment services at a significantly lower cost. Lowering production costs is essential if the United States is to remain competitive in the world market for enrichment services.

The advanced isotope separation program has the goal of developing the Atomic Vapor Laser Isotope Separation process to the point where it can provide for the production of enriched uranium at significantly reduced cost. The FY 1984 budget request of $73.0 million will initiate evaluation of engineering issues and system reliability, to support the construction and operation of a Development/Demonstration Module in the late 1980's.

Revenues

The Department's charges for uranium enrichment services are based on recovery of the Government's costs over a reasonable period of time in accordance with Section 161v of the Atomic Energy Act and with the Uranium Enrichment Services Criteria. The costs of providing enrichment services include the electric power supplied to the enrichment plants, the direct and indirect labor needed to operate the plants, process development, DOE's administration, depreciation of plant and equipment, and imputed interest on the Government's investment in uranium enrichment.

The FY 1984 estimate for uranium enrichment revenues of $2,240.0 million includes the sale of 14.6 million SWU of uranium enrichment services to commercial and 2.0 million SWU to Government customers. These revenues directly offset the cost of providing the enrichment services.

Naval Petroleum and Oil Shale Reserves

The Naval Petroleum and Oil Shale Reserves (NPOSR) contain the ninth largest producing petroleum field in the United States, at Elk Hills, California. The legislatively mandated objective of the NPOSR program is to develop and produce the reserves at the maximum efficient rate of production. The FY 1984 request of $266.1 million provides funds for continued operation, maintenance, development, exploration and production of the reserves, including the drilling of 144 development wells, five exploration wells at Elk Hills, expanded field application of the enhanced oil recovery program at Teapot Dome, Wyoming, and land management activities at the Naval Oil Shale Reserves. The request estimates that the Federal share of production will be approximately 113,000 barrels per day in FY 1984, with total production projected at 143,000 barrels per day. Gross federal revenues from NPOSR production are estimated to be approximately $1,500 million, which is returned to the U.S. Treasury and deposited in either the Miscellaneous Receipts or Windfall Profit Tax accounts.

Power Marketing Administrations

The Power Marketing Administrations (PMA) sell electricity generated by Federal hydropower projects. Preference for sale of power is given to public bodies and cooperatives. Revenues from selling power and transmission services of the five PMA's offset annual operations and maintenance costs, repay the capital investment and interest and assist capital repayment on irrigation features of certain projects.

The FY 1984 budget request for the five PMA's is as follows:

	Budget Authority (in millions)	
POWER MARKETING ADMINISTRATIONS	FY 1983 Estimate	FY 1984 Request
Alaska	$ 3.9	$ 3.2
Bonneville (Borrowing Authority)	455.0	324.5
Southeastern	4.0	20.6
Southwestern	20.8	36.2
Western Area	149.8	219.7
Western Area Emergency Fund	0.3	0.5
TOTAL, POWER MARKETING ADMINISTRATIONS	$ 633.8	$ 604.7

The Alaska Power Administration budget request is for engineering and economic investigations to promote the development and utilization of the water, power and related resources of Alaska, inlcuding operation and maintenance of projects, marketing electric power and continuing service in cases of emergency.

The Bonneville Power Administration (BPA) operates on a self-financing basis and requires no appropriation to finance its operations. However, it requires borrowing authority to finance transmission system construction and to fund energy conservation and renewable energy resources development. The FY 1984 request of $324.5 million is an estimate of the use of borrowing authority. The Transmission Act of 1974 provided BPA with $1.25 billion in borrowing authority for transmission system construction, and it is anticipated that this authority will be fully utilized in FY 1984. Without additional borrowing authority, the construction programs already underway could not be completed. Consequently, the Department's budget requests that Congress increase the limitation on outstanding borrowing authority for construction financing by $1.25 billion in the FY 1984 budget process.

The Southeastern Power Administration's budget request of $20.6 million will permit continuation of its basic power marketing policies with no new initiatives. Two new generating units are to come on line in FY 1984, one at the existing Hartwell Project, and the other being the first unit at the new Richard B. Russell Dam and Reservior.

The Southwestern Power Administration plans no major new initiatives in FY 1984, and its budget request of $36.2 million is to cover operation and maintenance requirements, as well as anticipated purchase power and wheeling.

The Western Area Power Administration's budget request of $220.2 million covers necessary construction and rehabilitation on existing and new power transmission facilities, including extensive operation and maintenance activities for power marketing transmission functions in a 15 state area, as well as purchase power and wheeling expenses to meet contractual obligations and allow participation in the oil conservation program. Power revenues are deposited directly to the Treasury, with the exception of revenues required to cover power marketing and transmission expenses associated with Western's self-financing programs. Western Area's emergency fund is provided to insure continuous operations in emergency situations.

NUCLEAR WASTE DISPOSAL ACTIVITIES

The President signed Public Law 97-425, the Nuclear Waste Policy Act of 1982, on January 7, 1983. One of its major provisions establishes the Nuclear Waste Fund to finance activities related to development, construction, and operation of a commercial high-level waste repository and studies of Monitored Retrievable Storage (MRS) concepts.

The Fund is to be financed by fees paid by nuclear utilities. To enable waste disposal activities to begin in FY 1983, $217.3 million has been allocated for FY 1983 from funds provided in the Continuing Resolution. The budget request in FY 1984 is $306.7 million, while fee collections are expected to total $448.0 million. Possible impacts of the recently enacted legislation on these funding estimates are being evaluated. Revenues are to offset required appropriations, with revenues in excess of requirements being retained in the Fund as offsets to future needs. A projection of fees to finance the Fund through FY 1988 is as follows:

Projected Annual Fees
(Dollars in Millions)

FY 1983	FY 1984	FY 1985	FY 1986	FY 1987	FY 1988
$ 98.0	$ 448.0	$ 482.0	$ 531.0	$ 591.0	$ 640.0

Efforts are directed toward site selection, licensing, construction, and operation of mined-geologic repositories and will include activities such as site characterization and exploratory shaft development.

A great amount of progress has been made in the geologic repository program since the program began. The program is now focusing on four main geographic areas: the basalt flows underlying the Hanford Site in Washington, the tuffs underlying Yucca Mountain at the Nevada Test Site, salt domes in the Gulf Coast States and bedded salt formations in Texas and Utah. Nationwide screening of additional sites in other geologic media, such as the granitic rocks of the Lake Superior and Appalachian region, will continue.

The MRS studies will lead to a proposal to Congress by June 1985 for construction of one or more MRS facilities as required by the legislation. The proposal will include site-specific designs sufficient to solicit construction bids, if authorized by Congress.

The program has selected candidate sites on the Hanford Reservation and Nevada Test site for exploratory shafts. The salt dome investigations have narrowed to three domes for further consideration and the bedded salt investigations are focusing on two specific areas in Utah and West Texas. Exploratory shafts will be sunk in basalt, tuff, and one of the salt sites. The characterization and directly related technology development efforts are focused on an FY 1988 date for submission of a repository license application.

OTHER ENERGY FUNCTIONS

In addition to its research and development and direct production activities, the Department performs other energy functions such as planning for energy emergencies, collecting and analyzing energy information, and performing certain regulatory functions. The budget request for these activities is shown below:

	Budget Authority (in millions)	
OTHER ENERGY FUNCTIONS	FY 1983 Estimate	FY 1984 Request
Emergency Preparedness	$ 5.2	$ 5.2
Energy Information Administration	50.4	50.8
Economic Regulatory Administration	27.5	11.9
Office of Hearings and Appeals	5.3	5.5
Federal Energy Regulatory Commission	86.2	34.6
TOTAL, OTHER ENERGY FUNCTIONS	$ 174.6a/	$ 108.0

a/ Does not reflect proposed payraise supplemental.

Emergency Preparedness

The goal of the Emergency Preparedness (EP) program is to provide for an ongoing capability for the coordination of effective energy emergency preparedness plans and programs based on allowing market forces to work, in order to reduce the vulnerability of the nation to severe energy supply disruptions, and to participate in national defense EP programs such as continuity of government. In FY 1984, procedures for distributing oil from the Strategic Petroleum Reserve will be reviewed, updated, and tested, and support will continue for International Energy Agency, NATO, and other international energy emergency preparedness programs. Work will also continue on other response procedures, such as economic response measures and energy cooperatives. The budget request for these activities is $5.2 million in FY 1984.

Energy Information Administration

The mission of the Energy Information Administration (EIA) is to produce and provide meaningful, timely, objective, and accurate energy information to the Executive Branch, Congress, State governments, industry, and the public. In order to accomplish this, EIA collects, processes, and interprets energy data and exercises independent judgement in the gathering, analysis, and dissemination of information. The FY 1984 request for EIA is $50.8 million, which provides for the maintenance of essential information systems and for providing support to the Federal Energy Regulatory Commission on a reimbursable basis. Comprehensive statistical publications will continue to be produced, as well as a number of short-term forecasts and reports.

Economic Regulatory Administration

The principal goal of the Economic Regulatory Administration (ERA) for FY 1984 is to complete the litigation of alleged pricing violations of the Emergency Petroleum Allocation Act of 1973 (EPAA). These alleged violations occurred between the enactment of the EPAA in 1973 and the President's decontrol order in

January, 1981. Because of the intensive efforts planned in FY 1983, it is anticipated that relatively few cases will remain unresolved in FY 1984. The ERA also authorizes the import and export of natural gas and the export of electricity, and licenses international electric transmission facilities. The budget request for FY 1984 is $11.9 million.

Office of Hearings and Appeals

The Office of Hearings and Appeals (OHA) is responsible for the Department's adjudication processes other than those for which the FERC or the Board of Contract Appeals has responsibility. The OHA reviews and grants exception to individual firms or persons where a Department-issued rule, regulation, or order results in a serious hardship, gross inequity or unfair distribution of burdens. The Office is also responsible for deciding final appeals in matters under the jurdisdiction of the Secretary and in enforcement matters prior to the issuance of a Remedial Order. The FY 1984 budget request for OHA is $5.5 million.

Federal Energy Regulatory Commission

The Federal Energy Regulatory Commission (FERC) is responsible for regulating the national operations of public utilities to ensure that businesses and consumers have adequate energy supplies at just and reasonable rates and for allowing fair rates of return to provide incentives for increased production of energy supplies. This includes natural gas, hydropower, oil pipeline, and electric power industries.

	Budget Authority (in millions)	
FEDERAL ENERGY REGULATORY COMMISSION	FY 1983 Estimate	FY 1984 Request
Natural Gas Regulation	$ 41.4	$ 43.1
Hydropower Regulation	22.6	24.2
Oil Pipeline Regulation	6.5	7.5
Electric Power Regulation	18.7	19.8
Subtotal	89.2	94.6
Less: Proposed Supplemental for Increased Pay Cost	-3.0	
Less: FERC Revenues	---	-60.0
TOTAL, APPROPRIATION REQUIREMENTS	$ 86.2a/	$ 34.6b/

a/ Does not include a permanent indefinite appropriation of $0.6 million for Payments to States.

b/ The FY 1984 funding request of $94 million is to be offset by fees, annual charges, and other revenues estimated at $60 million.

The budget request will enable FERC to process more than 70,000 filings and applications, thereby reducing pending workload by about 20 percent, process the significant growth in hydroelectric applications, and administer an increased dam safety program. The Commission also carries out mandated responsibilities under the Natural Gas Policy Act and the Public Utility Regulatory Policies Act. Additional activities in FY 1984 include continuation of the management initiatives aimed at simplifying and expediting the regulatory process and reducing regulatory burden, and carring out responsibilities in the electric power and oil pipeline regulation programs.

GENERAL SCIENCE

In addition to the energy-specific research, the Department also has responsibility for much of the nation's basic research in the fundamental principles of matter. In the Department's General Science programs, basic research is conducted in High Energy and Nuclear Physics. These programs are administered as national trusts to advance knowledge on the frontiers of science. The mission of these programs is to enhance our knowledge of the basic properties and interactions of atomic nuclei, the constituents of sub-nuclear matter, and the fundamental forces of nature. The benefits of these programs are mainly of a long-term nature applicable to all sectors of the economy; however, shorter term spinoff applications in energy and other areas do occur.

Funding for these programs is proposed as follows:

	Budget Authority (in millions)	
GENERAL SCIENCE	FY 1983 Estimate	FY 1984 Request
High Energy Physics	$ 422.2	$ 490.0
Nuclear Physics	130.5	153.0
Program Direction	1.4	2.2
Subtotal	$ 554.1	$ 645.2
Adjustments	-11.5	---
TOTAL, GENERAL SCIENCE	$ 542.6	$ 645.2

HIGH ENERGY PHYSICS

High Energy Physics is an exploratory field of basic research in which experimental and theoretical studies are conducted on the fundamental constituents of matter and the fundamental forces of nature in an attempt to understand energy and matter and their transformation. The method of achieving the program objectives involves the use of large accelerator facilities to provide various types of high energy particle beams, and sophisticated detection and analysis apparatus to study the particle interactions.

A major feature of the FY 1984 High Energy Physics program is the first full year of operation of the Energy Saver Superconducting Synchrotron at Fermilab for research in the 500-1000 GeV energy range. Priority is also given to operation and research utilization of the Positron-Electron Project facility. The budget request of $490.0 million includes funds to continue progress on the Tevatron I and Tevatron II construction projects at the Fermi National Accelerator Laboratory and to initiate construction of the SLAC Linear Collider (SLC). The SLC project, which is strongly supported by the High Energy Physics community, will provide a valuable accelerator R&D function in demonstrating the feasibility of a new technique for very high energy collisions and permit exciting research in the area of the highly sought Z° particle. The budget request also provides strong continuing support for university research groups including accelerator user efforts, non-accelerator experiments, and theoretical research efforts.

NUCLEAR PHYSICS

The long-range goal of the Nuclear Physics program is to increase our understanding of the fundamental forces of nature and the interactions, properties, and structures of atomic nuclei and nuclear matter at an elementary level. Pursuit of these goals yields a national base of knowledge, technique, instrumentation, and skilled manpower in critical technologies.

In FY 1984, emphasis in the Nuclear Physics program will be given to exploitation of new research capability provided by successful completion of constructtion projects in FY 1982 and FY 1983. These include the capability to accelerate ions as heavy as uranium to low energies in the SuperHILAC and to high energies in the Bevalac at Lawrence Berkeley Laboratory; the completion of the Bates Electron Accelerator recirculator project which provides electron beams for precision electron-nuclear scattering studies at higher energies than previously available; and the availability of heavy ion beams at the Holifield Heavy Ion Research Facilities at Oak Ridge National Laboratory and the Argonne Tandem/Linac which will allow high precision heavy ion physics studies at higher energies than previously available. These new capabilities, together with the low energy injector for the Stanford Linear Accelerator proposed for construction in FY 1984, provide unique new capabilities for study of nuclear matter in regimes never before investigated, and will allow investigations to explore the influence of the quark substructure of nucleons on the properties and behavior of nuclei. To maintain the scientific strength of two leading universities in basic nuclear research, upgrades of on-campus accelerators at Yale University and the University of Washington are planned for FY 1984 and FY 1985. The budget request for Nuclear Physics is $153.0 million.

STRATEGIC PETROLEUM RESERVE

In December 1975, legislation was enacted to establish a Strategic Petroleum Reserve (SPR) of up to one billion barrels of oil in order to reduce the Nation's vulnerability to the effects of petroleum supply interruptions. In 1981, the Omnibus Budget Reconciliation Act established an off-budget account for petroleum acquisition and transportation funds.

The near-term development plan for the Reserve includes achievement of a cumulative fill of 410 million barrels of oil by the end of 1984. The budget for FY 1984 reflects the significant improvement in our protection level and an increasingly optimistic world oil supply situation.

	Budget Authority (in millions)	
STRATEGIC PETROLEUM RESERVE	FY 1983 Estimate	FY 1984 Request
Planning	$ 8.0	$ 6.2
Storage Facilities Development	222.5	142.4
Program Direction	11.6	10.2
Petroleum Acquisition and Transportation	2,074.1	583.1
TOTAL, STRATEGIC PETROLEUM RESERVE	2,316.2	741.9
Less: Off-Budget Petroleum Account	-2,074.1	-583.1
On-Budget Strategic Petroleum Reserve	$ 242.1	$ 158.8

FACILITIES DEVELOPMENT

The budget request of $142.4 million for Facilities Development and Operations is divided among Phase II and non-phase-specific activities. Phase II, the expansion of three existing Phase I sites at Bryan Mound, Texas, and West Hackberry and Bayou Choctaw, Louisiana, will add 290 million barrels of storage capacity. In FY 1984, Phase II funding is approximately $62.0 million. Non-phase-specific activities include ongoing operations and maintenance activities, system reliability improvements and safety upgrading. The budget request is $80.4 million.

Phase III development at Bryan Mound and West Hackberry will continue from funding in FY 1983 to be made available in FY 1984. The FY 1983 budget will continue Big Hill site acquisition activities and completion of detailed design work. However, a decision on whether to proceed with construction activities at the Big Hill site will be reanalyzed within the context of the FY 1985 budget.

OIL ACQUISITION AND TRANSPORTATION

The Department will continue its oil acquisition activities which will lead to a cumulative fill of 410 million barrels in storage by the end of FY 1984, with a further 18 million barrels on order for delivery in FY 1985. Using current oil price projections, the Department can fill at 216,000 barrels per day in FY 1983 and 145,000 barrels per day in FY 1984, and have approximately 18 million barrels on order for delivery in FY 1985.

DEFENSE ACTIVITIES

The primary role of the Department in Defense Activities is to provide for research, development, testing and production of nuclear weapons and materials in support of Department of Defense requirements. Other responsibilities include management of nuclear waste generated by these activities, as well as naval nuclear propulsion development work, and development of improved safeguards and security systems for nuclear weapons, materials and facilities. Research and development supporting the verification of nuclear test treaty compliance and security investigations are also carried out in Defense Activities. The budget request for each activity is as follows:

	Budget Authority (in millions)	
DEFENSE ACTIVITIES	FY 1983 Estimate	FY 1984 Request
Weapons Activities	$3,325.5	$3,925.1
Materials Production	1,202.8	1,485.3
Verification and Control Technology	53.9	61.7
Defense Waste and Byproducts Management	518.7	611.5
Nuclear Safeguards and Security	47.4	52.0
Security Investigations	28.5	29.5
Naval Reactors Development	526.9	613.0
TOTAL, DEFENSE ACTIVITIES	$5,703.7	$6,778.1

WEAPONS ACTIVITIES

The weapons program budget supports the development, testing, production, and lifetime surveillance of nuclear weapons to meet national defense needs. A related effort involving research in inertial fusion is also provided for in this budget because inertial fusion work is relevant to weapons research, particularly with respect to laboratory scale investigation of certain phenomena pertinent to weapons physics. The following table summarizes the FY 1984 funding request:

	Budget Authority (in millions)	
WEAPONS ACTIVITIES	FY 1983 Estimate	FY 1984 Request
Research, Development and Testing	$1,184.8	$1,380.1
Inertial Confinement Fusion	189.7	151.8
Production and Surveillance	1,900.9	2,337.3
Program Direction	50.1	55.9
TOTAL, WEAPONS ACTIVITIES	$3,325.5	$3,925.1

Research, Development and Testing activities provide for the generation of new ideas in nuclear weapon concepts and technologies and for the application of these ideas to continuing, new, or evolving Department of Defense requirements in a timely, efficient, and economical manner.

The FY 1984 budget request of $1,380.1 million will support development efforts on nine warhead programs, exploration of advanced weapon design concepts for future weapon system requirements, and a modest growth in technology base activities.

Inertial Confinement Fusion is a research and development program directed toward determining the feasibility of burning very small pellets of thermonuclear fuel using laser or particle beam generators as the driver. In the near-term, the program has weapons physics applications; in the long-term, Inertial Confinement Fusion could have energy applications. The budget request of $151.8 million provides funds to support experimental efforts needed to explore the physics and the feasibility of this concept. Construction funding is provided for the PBFA-II project.

The budget request of $2,337.3 million for Production and Surveillance provides for the ongoing production of new nuclear weapons for the stockpile and for the surveillance and maintenance of existing weapons as approved by the President in the Nuclear Weapons Stockpile Memorandum and the Stockpile Improvement Program. The weapons in production include the B61-3 Bomb, B61-4 Bomb, W76 TRIDENT Warhead, W79 8-Inch Artillery Fired Atomic Projectile Warhead, W80-0 Sea Launched Cruise Missile Warhead, W80-1 Air Launched Cruise Missile Warhead, B-83 Bomb, W84 Ground Launched Cruise Missile Warhead and the W85 Pershing II Warhead. Also included are pre-delivery production efforts which will be conducted in FY 1984 for the W81 Standard Missile 2, W82 155mm Artillery Fired Atomic Projectile, W87 MX, and Sentry Warheads. Funding is also requested to maintain and rehabilitate facilities throughout the weapons production complex.

Weapons Activities Program Direction funds the Federal staffing required for the management of the weapons program, including the Office of the Assistant Secretary for Defense Programs, the Office of Military Applications and the Albuquerque and Nevada Operations Offices. Also included is the Community Assistance program which helps to support communities in Los Alamos, New Mexico and Oak Ridge, Tennessee. The FY 1984 budget request of $55.9 million provides for full support of the Community Assistance program and an increase in Federal staffing to support the weapons program.

MATERIALS PRODUCTION

The Materials Production program primarily supports the production of nuclear materials for use in the national security programs. Nuclear materials, in small quantities, are also produced for DOE reactor research and development programs, other Government agencies, industries, and foreign governments under civilian international cooperation agreements. The following table provides additional detail about the budget request:

	Budget Authority (in millions)	
MATERIALS PRODUCTION	FY 1983 Estimate	FY 1984 Request
Reactor Operations	$ 392.7	$ 521.6
Processing of Nuclear Materials	310.1	365.3
Supporting Services	378.3	408.4
Enriched Material	---	70.0
Capital Equipment	107.7	102.5
Program Direction	14.0	17.5
TOTAL, MATERIALS PRODUCTION	$1,202.8	$1,485.3

The budget request of $1,485.3 million provides for operation of: a reactor feed material production complex; three reactors at Savannah River and N Reactor at Richland to produce plutonium and tritium; chemical processing plants at three major sites; and the required support activities. Activities begun in 1981 to increase materials production will continue, including the restart of L Reactor at Savannah River and restart of the PUREX chemical processing plant at Richland. Both of these restart projects are scheduled for completion in FY 1984. Various restoration programs throughout the complex are continuing. Research and devlopment efforts for long-term production alternatives will also continue, including Special Isotope Separation technology.

VERIFICATION AND CONTROL TECHNOLOGY

This program conducts technical and analytical work in support of the nation's arms control and treaty verification initiatives. The budget request of $61.7 million provides for development of the technology base for seismic, nonseismic, on-site monitoring and sample analysis activities, as well as analyses of nuclear issues related to arms control and export control.

DEFENSE WASTE AND BYPRODUCTS MANAGEMENT

The Defense Waste and Byproducts Management program provides for handling and disposal of low-level and airborne radioactive wastes, for storage of transuranic and high-level waste, and for the development and demonstration of technologies for their disposal. The following table shows the request by program element:

	Budget Authority (in millions)	
DEFENSE WASTE AND BYPRODUCTS MANAGEMENT	FY 1983 Estimate	FY 1984 Request
Interim Waste Operations	$ 272.2	$ 288.4
Terminal Storage	125.4	80.1
Long-Term Waste Management Technology	100.3	206.6
Decontamination and Decommissioning	12.8	---
Transportation R&D	6.0	---
Program Direction	2.0	2.5
Capital Equipment	---	33.9
TOTAL, DEFENSE WASTE AND BYPRODUCTS MANAGEMENT	$ 518.7	$ 611.5

Fiscal Year 1984 efforts will continue the upgrade of waste handling, storage, and disposal operations by transferring high-level waste from old single-shell tanks at Savannah River and Hanford into new double-shell tanks, construction of new facilities, improvement of facilities, and upgrading of burial ground operations. The long-term program in FY 1984 will focus on construction of the Defense Waste Processing Facility at Savannah River, and preparation of transuranic waste at Idaho and other DOE sites for planned shipment to the Waste Isolation Pilot Plant.

The Defense Waste Processing Facility (DWPF) at Savannah River will provide the final step in processing high-level waste for disposal. Facility construction will begin in FY 1984 leading to "hot" operations in FY 1989. The DWPF will immobilize the high-level waste in borosilicate glass for storage, transportation to, and disposal in a geologic repository. Immobilization and confinement in a repository will ensure the long-term isolation of these wastes from the environment with minimal maintenance and surveillance.

The Waste Isolation Pilot Plant (WIPP), located near Carlsbad, New Mexico, is intended to demonstrate the safe disposal of defense nuclear waste. The WIPP facilities will be capable of routine operations to receive, inspect, package, and emplace defense nuclear waste in a geologic disposal environment. This research and development facility will be sized to handle quantities typical of defense nuclear waste inventories and anticipated generation rates. Emplacement of radioactive waste in the WIPP could begin in 1989.

NUCLEAR SAFEGUARDS AND SECURITY

The Nuclear Safeguards and Security program is responsible for developing measures to assure adequate protection against theft and sabotage of the Department's nuclear weapons, nuclear materials, facilities, and classified information. The program also provides safeguards-related technical support to U.S. and international nonproliferation activities. The FY 1984 budget request of $52.0 million for Safeguards and Security will permit the continuation of these vital program activities.

SECURITY INVESTIGATIONS

The objective of this program is to help insure the common defense and security of the United States by conducting security investigations in the process of granting security clearances to those Departmental and Government contractor personnel who must, in the performance of their work, have access to Restricted Data, National Security Information, or Special Nuclear Material, or who occupy a designated Critical Sensitive position. The FY 1984 budget request of $29.5 million will provide for approximately 27,000 security investigations.

NAVAL REACTORS DEVELOPMENT

The Naval Reactors Development program carries out nuclear propulsion development work essential to the U.S. Navy. Nuclear propulsion provides the Navy with ships having virtually unlimited high speed endurance, and allows ships to be designed with greatly increased capability for sustained combat operations.

This program provides for the design, development, testing, and evaluation of improved naval nuclear propulsion plants and reactor cores having long fuel life, high reliability, improved performance, and simplified operating and maintenance requirements. The nuclear propulsion plants cover a wide range of configurations varying in size from small submarines to large surface ships. The ultimate objective of the program is to develop reactor cores that will last the lifetime of the ship.

Major programs include a Submarine Test Core; an Advanced Fleet Reactor which utilizes new concepts resulting in longer lifetime; a reactor and propulsion plant for installation in the OHIO Class TRIDENT ballistic missile submarines; an advanced design plant for application in future classes of higher speed submarines; an improved higher power and longer life core for shipboard application; investigation of advanced reactor concepts; and materials and corrosion testing aimed at extending the life of reactor plants and components beyond the original 20 to 30 year design lifetime in support of the Department of Defense policy of extending ship lifetime.

The budget request of $613.0 million for FY 1984 provides for the continuation of current programs, and includes $120.0 million for production of enriched material for Naval cores.

SUPPORT ACTIVITIES

Support Activities include general management and support activities benefiting all elements of the Department of Energy. The budget request totals $171.7 million, and is distributed in the following manner:

SUPPORT ACTIVITIES	Budget Authority (in millions) FY 1983 Estimate	FY 1984 Request
Management and Administration	$ 131.6	$ 116.2
Operations Offices	93.1	77.4
Policy, Planning, and Analysis	9.6	5.7
Congressional, Intergovernmental, and Public Affairs	6.6	3.4
General Counsel	13.4	11.8
International Affairs	3.4	2.6
Inspector General	12.9	14.7
Minority Economic Impact	2.0	1.7
Board of Contract Appeals	0.3	0.3
Office of the Secretary	1.2	0.9
Power Marketing Coordination	0.9	0.5
In-House Energy Management	16.0	14.4
Technical Information Center	15.3	14.1
Plant Engineering and Design	0.7	1.0
Cost of Work for Others	109.3	116.2
Revenues	-175.5	-209.6
Subtotal	$ 240.8	$ 171.3
Adjustments	+13.2	---
TOTAL, SUPPORT ACTIVITIES	$ 254.0	$ 171.3

Management and Administration (MA) includes salaries, benefits and travel costs for MA employees, and the full range of contractual support costs for Headquarters employees. The five multi-purpose Operations Offices that manage and execute Headquarters-delegated program and project responsibilities are funded separately under the Operations Offices. Policy, Planning, and Analysis provides objective policy analysis and evaluation within the Department, and carries out studies mandated by Congress. Congressional, Intergovernmental, and Public Affairs develops and coordinates relations with the Congress; news media; State, Territorial, Tribal, and local governments; other Federal agencies; consumer/citizen and business organizations; and the general public.

The General Counsel provides legal opinions, advice, and legislative drafting service to all Departmental programs except FERC. The Office of the Inspector General undertakes audits and inspections of DOE activities and facilities to ensure compliance with the applicable laws and regulations and to guard against possible waste, fraud, and abuse. The Office of International Affairs is responsible for coordinating the development of international energy technology cooperation, developing policies for energy-related trade issues based on analyses of strategic and economic factors, developing and implementing international nuclear non-proliferation policies, and managing US/DOE participation in international energy emergency planning.

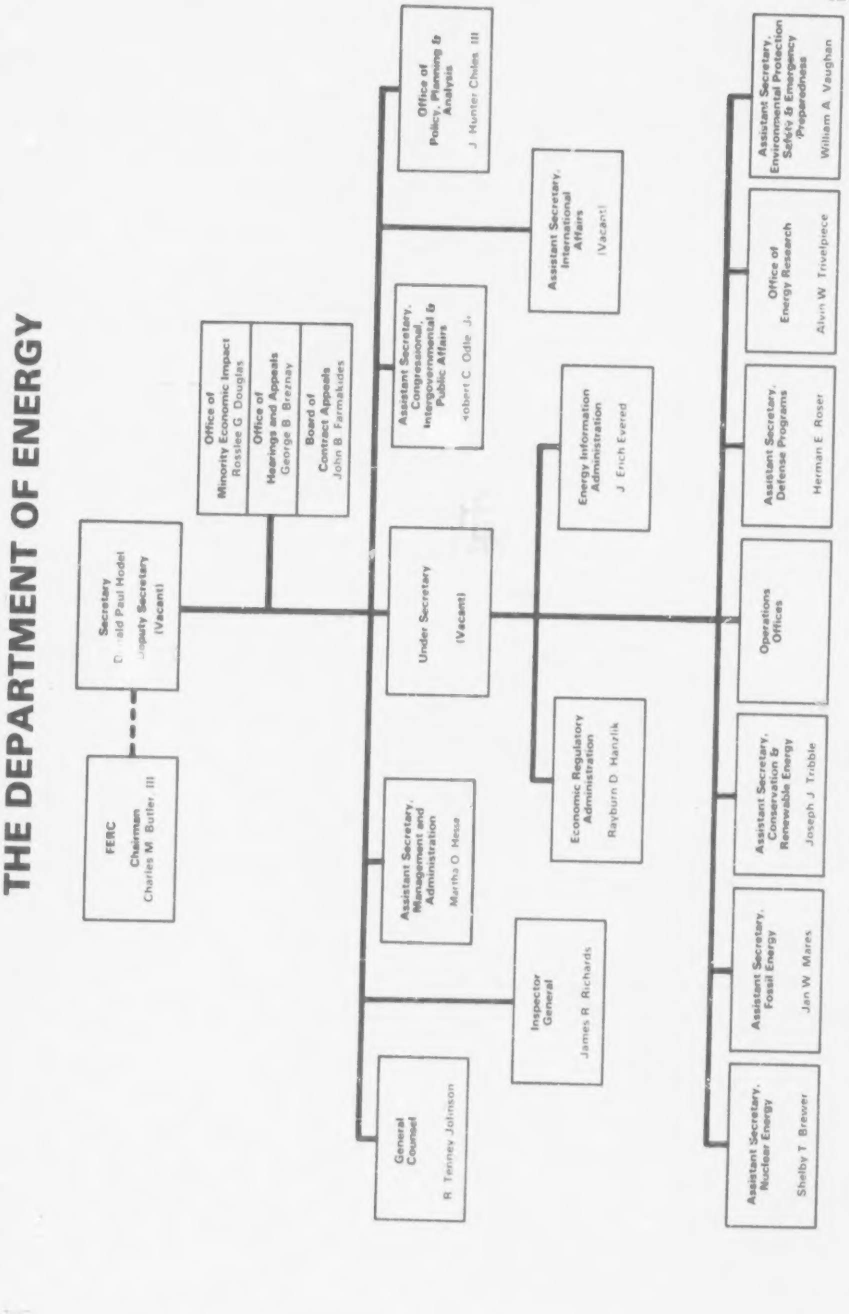
The Office of Minority Economic Impact seeks to determine how the Department's policies and actions affect minorities, develops programs to encourage and promote energy-related business for minority firms, and attempts to improve minority participation in DOE activities by providing loans to finance prospective minority contractors in preparing bid proposals. The Board of Contract Appeals resolves contract disputes between the Department and its contractors. The Office of the Secretary provides policy, clerical, and logistical support to the Secretary of Energy.

Power Marketing Coordination provides Headquarters administrative support to the Power Marketing Administrations. The In-House Energy Management program funds energy conservation retrofit projects at the Department's facilities, providing a 35 percent rate of return on investment while saving energy. The Technical Information Center provides a centralized reference service for research and development information for dissemination to Departmental research scientists and engineers, industry, and the academic community. The Plant Engineering and Design program identifies and supports critical construction projects through advance funding of architect-engineering services.

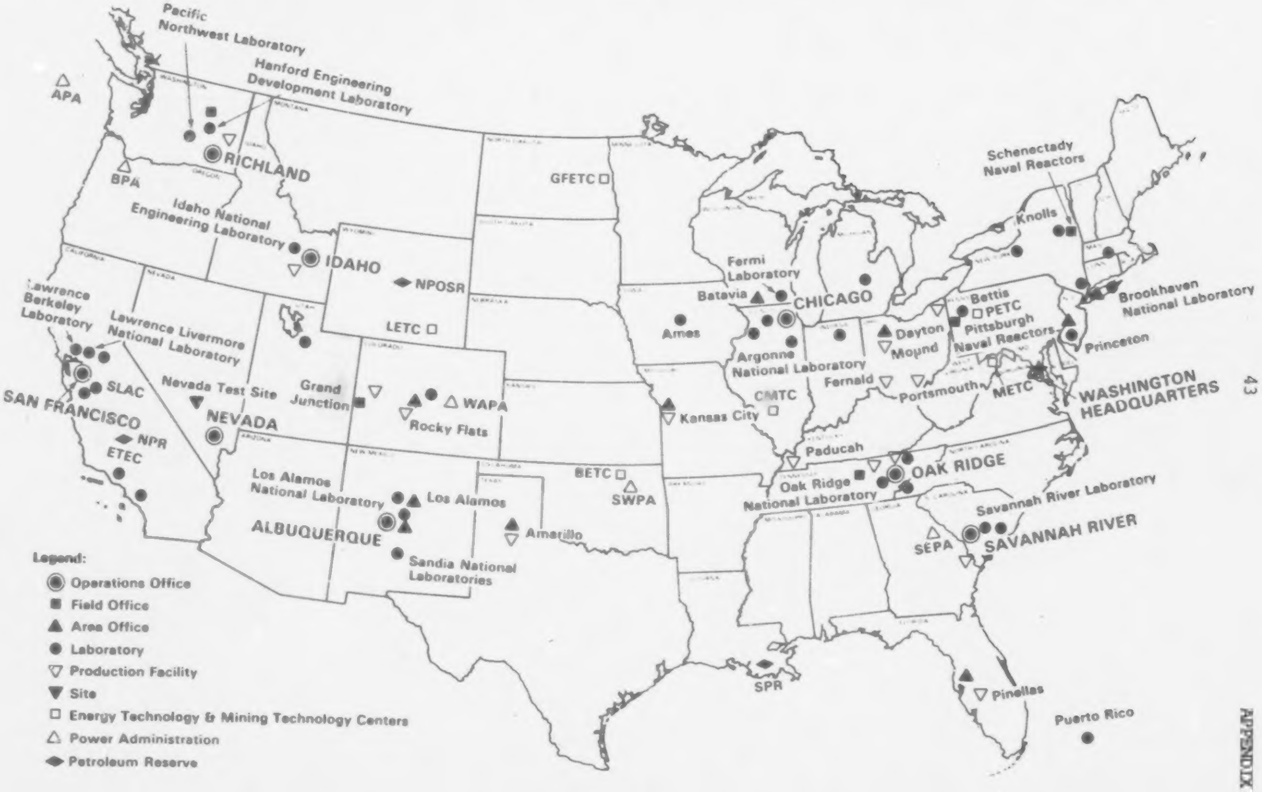
Cost of Work for Others represents the full cost of products and services provided by the Department to qualified non-DOE users. The Department collects revenues as offsets to the Cost of Work for Others program and in payment for other products and services provided.

APPENDICES

APPENDIX A


THE DEPARTMENT OF ENERGY
FERC
Chairman
Charles M. Butler, III
Secretary
Donald Paul Hodel
Deputy Secretary
(Vacant)
Office of
Minority Economic Impact
Rosslee G. Douglas
Office of
Hearings and Appeals
George B. Breznay
Board of
Contract Appeals
John B. Farmakides
Under Secretary
(Vacant)
General
Counsel
R. Tenney Johnson
Inspector
General
James R. Richards
Assistant Secretary,
Management and
Administration
Martha O. Hesse
Economic Regulatory
Administration
Rayburn D. Hanzlik
Energy Information
Administration
J. Erich Evered
Assistant Secretary,
Congressional,
Intergovernmental &
Public Affairs
Robert C. Odle, Jr.
Assistant Secretary,
International
Affairs
(Vacant)
Office of
Policy, Planning &
Analysis
J. Hunter Chiles III
Assistant Secretary,
Nuclear Energy
Shelby T. Brewer
Assistant Secretary,
Fossil Energy
Jan W. Mares
Assistant Secretary,
Conservation &
Renewable Energy
Joseph J. Tribble
Operations
Offices
Assistant Secretary,
Defense Programs
Herman E. Roser
Office of
Energy Research
Alvin W. Trivelpiece
Assistant Secretary,
Environmental Protection
Safety & Emergency
Preparedness
William A. Vaughan

MAP OF DOE FIELD FACILITIES AND OPERATIONS


Pacific Northwest Laboratory
Hanford Engineering Development Laboratory
APA
RICHLAND
BPA
Idaho National Engineering Laboratory
IDAHO
NPOSR
LETC
GFETC
Lawrence Berkeley Laboratory
Lawrence Livermore National Laboratory
SLAC
SAN FRANCISCO
Nevada Test Site
NEVADA
NPR
ETEC
Grand Junction
WAPA
Rocky Flats
Los Alamos National Laboratory
Los Alamos
ALBUQUERQUE
Sandia National Laboratories
Amarillo
BETC
SWPA
Ames
Fermi Laboratory
Batavia
CHICAGO
Argonne National Laboratory
CMTC
Kansas City
Fernald
Dayton
Mound
Portsmouth
Paducah
Oak Ridge National Laboratory
OAK RIDGE
Bettis
PETC
Pittsburgh Naval Reactors
METC
WASHINGTON HEADQUARTERS
Schenectady Naval Reactors
Knolls
Brookhaven National Laboratory
Princeton
Savannah River Laboratory
SAVANNAH RIVER
SEPA
SPR
Pinellas
Puerto Rico
Legend:
◉ Operations Office
■ Field Office
▲ Area Office
● Laboratory
▽ Production Facility
▼ Site
□ Energy Technology & Mining Technology Centers
△ Power Administration
◆ Petroleum Reserve

APPENDIX C

DEPARTMENT OF ENERGY
FY 1984 BUDGET
BY ORGANIZATION
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

	FY 1983 ESTIMATE	FY 1984 REQUEST
General Counsel	13,422	11,809
Assistant Secretary, Management and Administration	204,848	130,661
Assistant Secretary, Congressional, Intergovernmental, and Public Affairs	6,657	3,400
Assistant Secretary for International Affairs	3,366	2,566
Assistant Secretary, Nuclear Energy	1,535,501	1,769,237
Assistant Secretary, Fossil Energy	217,514	94,000
Assistant Secretary, Conservation and Renewable Energy	1,301,381	809,741
Assistant Secretary, Defense Programs ..	5,176,790	6,165,075
Assistant Secretary, Environmental Protection, Safety and Emergency Preparedness	2,584,641	1,054,475
Administrator, Economic Regulatory Administration	27,641	11,861
Administrator, Energy Information Administration	50,400	50,800
Director, Policy, Planning and Analysis	9,589	5,734
Director, Energy Research	1,507,357	1,691,474
Director, Minority Economic Impact	1,962	1,674
Inspector General	12,920	14,670
Director, Hearings and Appeals	5,275	5,500
Board of Contract Appeals	307	341
Chairman, Federal Energy Regulatory Commission	86,683	35,152
Subtotal	12,746,254	11,858,170
Less Off-budget SPR	-2,074,060	-583,100
Total, Department of Energy	10,672,194	11,275,070

APPENDIX D

BUDGET BY APPROPRIATION

Errata

Page 53	FY 1984 Total, Energy Supply R&D Outlays should be $2,251,619.
Page 57	Departmental Administration 1983 Operating Expenses - BA should be $205,941 and Plant and Capital Equipment - BA should be $16,133.
Page 60	Advanced Research and Technology Development Operating Expenses and Capital Equipment should be $33,150 in 1983 and $25,500 in 1984. Construction should be $2,800 in 1983 and $5,040 in 1984.
Page 61	Fossil Energy Operating Expenses and Capital Equipment - BA should be $214,714 in 1983 and $88,960 in 1984. Construction - BA should be $2,800 in 1983 and $5,040 in 1984. Total Fossil Energy Outlays should be $277,000 in 1984.

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

ENERGY SUPPLY RESEARCH AND DEVELOPMENT

	FY 1983 ESTIMATE	FY 1984 REQUEST
Programs funded by Energy and Water Development Appropriations:		
SOLAR ENERGY		
ACTIVE SOLAR HEATING AND COOLING		
OPERATING EXPENSES...............	6,150	---
PLANT AND CAPITAL EQUIPMENT......	500	---
TOTAL, ACTIVE SOLAR HEATING AND COOLING........................	6,650	---
PASSIVE SOLAR HEATING AND COOLING		
OPERATING EXPENSES...............	5,000	---
PLANT AND CAPITAL EQUIPMENT......	---	---
TOTAL, PASSIVE SOLAR HEATING AND COOLING......................	5,000	---
PHOTOVOLTAIC ENERGY SYSTEMS		
OPERATING EXPENSES...............	58,035	32,700
PLANT AND CAPITAL EQUIPMENT......	---	---
TOTAL, PHOTOVOLTAIC ENERGY SYSTEMS..	58,035	32,700
SOLAR THERMAL ENERGY SYSTEMS		
OPERATING EXPENSES...............	49,100	21,700
PLANT AND CAPITAL EQUIPMENT......	400	250
TOTAL, SOLAR THERMAL ENERGY SYSTEMS.	49,500	21,950
BIOMASS ENERGY SYSTEMS		
OPERATING EXPENSES...............	16,000	17,300
PLANT AND CAPITAL EQUIPMENT......	---	---
TOTAL, BIOMASS ENERGY SYSTEMS.......	16,000	17,300
WIND ENERGY SYSTEMS		
OPERATING EXPENSES...............	31,300	8,600
PLANT AND CAPITAL EQUIPMENT......	100	---
TOTAL, WIND ENERGY SYSTEMS..........	31,400	8,600
OCEAN ENERGY SYSTEMS		
OPERATING EXPENSES...............	10,500	---
PLANT AND CAPITAL EQUIPMENT......	---	---
TOTAL, OCEAN ENERGY SYSTEMS.........	10,500	---
ALCOHOL FUELS		
OPERATING EXPENSES...............	3,000	---
PLANT AND CAPITAL EQUIPMENT......	2,000	---
TOTAL, ALCOHOL FUELS................	5,000	---

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

ENERGY SUPPLY RESEARCH AND DEVELOPMENT (CONTINUED)

	FY 1983 ESTIMATE	FY 1984 REQUEST
INTERNATIONAL SOLAR ENERGY PROGRAM		
OPERATING EXPENSES...............	10,000	---
PLANT AND CAPITAL EQUIPMENT......	---	---
TOTAL, INTERNATIONAL SOLAR ENERGY PROGRAM....................	10,000	---
SOLAR TECHNOLOGY TRANSFER		
OPERATING EXPENSES...............	3,000	3,100
PLANT AND CAPITAL EQUIPMENT......	---	---
TOTAL, SOLAR TECHNOLOGY TRANSFER.....	3,000	3,100
PROGRAM SUPPORT....................	1,000	---
PROGRAM DIRECTION - OTHER SOLAR ENERGY......................	5,850	3,009
SUBTOTAL, SOLAR ENERGY...............	201,935	86,659
GEOTHERMAL		
OPERATING EXPENSES...............	22,358	13,553
PLANT AND CAPITAL EQUIPMENT......	27,270	---
TOTAL, GEOTHERMAL..................	49,628	13,553
HYDROPOWER		
OPERATING EXPENSES...............	1,000	---
PLANT AND CAPITAL EQUIPMENT......	---	---
TOTAL, HYDROPOWER..................	1,000	---
ELECTRIC ENERGY SYSTEMS		
OPERATING EXPENSES...............	17,200	12,702
PLANT AND CAPITAL EQUIPMENT......	---	---
TOTAL, ELECTRIC ENERGY SYSTEMS.......	17,200	12,702
ENERGY STORAGE SYSTEMS		
OPERATING EXPENSES...............	25,700	14,200
PLANT AND CAPITAL EQUIPMENT......	---	---
TOTAL, ENERGY STORAGE SYSTEMS........	25,700	14,200

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

ENERGY SUPPLY RESEARCH AND DEVELOPMENT (CONTINUED)

	FY 1983 ESTIMATE	FY 1984 REQUEST
NUCLEAR		
CONVERTER REACTOR SYSTEMS		
OPERATING EXPENSES...............	71,352	49,190
PLANT AND CAPITAL EQUIPMENT......	7,480	4,000
TOTAL, CONVERTER REACTOR SYSTEMS.....	78,832	53,190
COMMERCIAL NUCLEAR WASTE		
OPERATING EXPENSES...............	37,999	20,220
PLANT AND CAPITAL EQUIPMENT......	4,170	2,360
TOTAL, COMMERCIAL NUCLEAR WASTE......	42,169	22,580
REMEDIAL ACTION		
OPERATING EXPENSES...............	58,575	92,770
PLANT AND CAPITAL EQUIPMENT......	4,821	1,215
TOTAL, REMEDIAL ACTION...............	63,396	93,985
NUCLEAR FUEL CYCLE		
OPERATING EXPENSES...............	38,083	37,307
PLANT AND CAPITAL EQUIPMENT......	4,568	4,500
TOTAL, NUCLEAR FUEL CYCLE............	42,651	41,807
ADVANCED NUCLEAR SYSTEMS		
OPERATING EXPENSES...............	36,179	31,505
PLANT AND CAPITAL EQUIPMENT......	2,764	2,600
TOTAL, ADVANCED NUCLEAR SYSTEMS......	38,943	34,105
BREEDER REACTOR SYSTEMS		
OPERATING EXPENSES...............	504,066	571,325
PLANT AND CAPITAL EQUIPMENT......	45,808	31,200
TOTAL, BREEDER REACTOR SYSTEMS.......	549,874	602,525
SUBTOTAL, NUCLEAR....................	815,865	848,192
ENVIRONMENT, SAFETY AND HEALTH		
OPERATING EXPENSES...............	37,495	38,775
PLANT AND CAPITAL EQUIPMENT......	1,500	1,600
TOTAL, ENVIRONMENT, SAFETY AND HEALTH............................	38,995	40,375
BIOLOGICAL AND ENVIRONMENTAL RESEARCH		
OPERATING EXPENSES...............	174,243	161,500
PLANT AND CAPITAL EQUIPMENT......	13,977	8,700
TOTAL, BIOLOGICAL AND ENVIRONMENTAL RESEARCH...........................	188,220	170,200

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

ENERGY SUPPLY RESEARCH AND DEVELOPMENT (CONTINUED)

	FY 1983 ESTIMATE	FY 1984 REQUEST
MAGNETIC FUSION		
OPERATING EXPENSES...............	361,562	392,700
PLANT AND CAPITAL EQUIPMENT......	85,500	74,300
TOTAL, MAGNETIC FUSION...............	447,062	467,000
INSTRUMENTATION INITIATIVE	---	6,000
BASIC ENERGY SCIENCES		
OPERATING EXPENSES...............	261,294	295,830
PLANT AND CAPITAL EQUIPMENT......	21,556	54,340
TOTAL, BASIC ENERGY SCIENCES.........	282,850	350,170
ENERGY RESEARCH OVERSIGHT, ANALYSIS & UNIVERSITY RESEARCH SUPPORT		
ENERGY RESEARCH ANALYSIS.............	2,824	2,869
UNIVERSITY RESEARCH SUPPORT..........	6,000	5,470
ADVISORY AND OVERSIGHT PROGRAM DIRECTION	2,603	3,400
SUBTOTAL, ENERGY RESEARCH OVERSIGHT, ANALYSIS & UNIVERSITY RESEARCH SUPPORT...........................	11,427	11,739
IN-HOUSE ENERGY MANAGEMENT		
OPERATING EXPENSES	500	1,200
PLANT AND CAPITAL EQUIPMENT	15,500	13,200
TOTAL, IN-HOUSE ENERGY MANAGEMENT....	16,000	14,400
TECHNICAL INFORMATION CENTER		
OPERATING EXPENSES...............	14,103	13,300
PLANT AND CAPITAL EQUIPMENT......	1,150	800
TOTAL, TECHNICAL INFORMATION CENTER..	15,253	14,100
PLANT ENGINEERING AND DESIGN - NON-DEFENSE		
PLANT AND CAPITAL EQUIPMENT......	700	1,000
MULTI-PROGRAM FACILITIES - PLANT AND CAPITAL EQUIPMENT	34,000	40,600

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

ENERGY SUPPLY RESEARCH AND DEVELOPMENT (CONTINUED)

	FY 1983 ESTIMATE	FY 1984 REQUEST
POLICY AND MANAGEMENT - ER...........	1,250	515
POLICY AND MANAGEMENT - EP...........	2,103	900
POLICY AND MANAGEMENT - NE...........	1,584	1,370
POLICY AND MANAGEMENT - CE...........	813	970
SUBTOTAL, POLICY AND MANAGEMENT......	5,750	3,755
SUBTOTAL, ENERGY SUPPLY R&D.......	2,151,585	2,094,645
UNDISTRIBUTED........................	91,107	---
TOTAL, ENERGY SUPPLY R & D - B/A.....	2,242,692	2,094,645
(OPERATING EXPENSES - B/A).....	(1,877,821)	(1,853,980)
(PLANT AND CAPITAL EQUIPMENT - B/A)	(364,871)	(240,665)
TOTAL, ENERGY SUPPLY R&D - OUTLAYS...	2,388,562	2,094,645

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

URANIUM ENRICHMENT

	FY 1983 ESTIMATE	FY 1984 REQUEST
URANIUM ENRICHMENT ACTIVITIES		
OPERATING EXPENSES...............	1,184,153	1,506,800
PLANT AND CAPITAL EQUIPMENT......	698,700	656,300
TOTAL, URANIUM ENRICHMENT ACTIVITIES.	1,882,853	2,163,100
ADVANCED ISOTOPE SEPARATION TECHNOLOGY		
OPERATING EXPENSES...............	47,233	59,900
PLANT AND CAPITAL EQUIPMENT......	3,400	13,100
TOTAL, ADVANCED ISOTOPE SEPARATION TECHNOLOGY.........................	50,633	73,000
URANIUM PROGRAM DIRECTION............	3,650	3,900
SUBTOTAL, URANIUM ENRICHMENT ACTIVITIES	1,937,136	2,240,000
URANIUM RESOURCE ASSESSMENT		
OPERATING EXPENSES...............	5,000	—
PLANT AND CAPITAL EQUIPMENT......	—	—
TOTAL, URANIUM RESOURCE ASSESSMENT...	5,000	—
SUBTOTAL, URANIUM ENRICHMENT.........	1,942,136	2,240,000
REVENUES		
OPERATING EXPENSES...............	-1,265,869	-1,570,600
PLANT AND CAPITAL EQUIPMENT......	-702,450	-669,400
TOTAL, REVENUES......................	-1,968,319	-2,240,000
TOTAL, URANIUM ENRICHMENT - B/A......	-26,183	—
(OPERATING EXPENSES - B/A).....	(-25,833)	(—)
(PLANT AND CAPITAL EQUIPMENT - (B/A)	(-350)	(—)
TOTAL, URANIUM ENRICHMENT - OUTLAYS..	-26,183	40,000

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

	FY 1983 ESTIMATE	FY 1984 REQUEST
GENERAL SCIENCE AND RESEARCH		
HIGH ENERGY PHYSICS		
OPERATING EXPENSES...............	320,274	349,500
PLANT AND CAPITAL EQUIPMENT......	101,872	140,500
TOTAL, HIGH ENERGY PHYSICS...........	422,146	490,000
NUCLEAR PHYSICS		
OPERATING EXPENSES...............	112,365	128,000
PLANT AND CAPITAL EQUIPMENT......	18,144	25,000
TOTAL, NUCLEAR PHYSICS...............	130,509	153,000
HIGH ENERGY AND NUCLEAR PHYSICS PROGRAM DIRECTION..................	1,413	2,250
SUBTOTAL............................	554,068	645,250
TRANSFER OF UNOBLIGATED BALANCES.....	-11,520	---
TOTAL, GENERAL SCIENCE AND RESEARCH - B/A....................	542,548	645,250
(OPERATING EXPENSES - B/A).....	(422,532)	(479,750)
(PLANT AND CAPITAL EQUIPMENT - B/A)	(120,016)	(165,500)
TOTAL, GENERAL SCIENCE AND RESEARCH - OUTLAYS...........................	554,313	633,550
ATOMIC ENERGY DEFENSE ACTIVITIES		
INERTIAL CONFINEMENT FUSION		
OPERATING EXPENSES...............	140,000	127,100
PLANT AND CAPITAL EQUIPMENT......	49,750	24,700
TOTAL, INERTIAL CONFINEMENT FUSION...	189,750	151,800
RESEARCH AND DEVELOPMENT AND TESTING		
OPERATING EXPENSES...............	1,049,800	1,190,380
PLANT AND CAPITAL EQUIPMENT......	135,000	189,700
TOTAL, RESEARCH AND DEVELOPMENT AND TESTING........................	1,184,800	1,380,080
PRODUCTION AND SURVEILLANCE		
OPERATING EXPENSES...............	1,474,500	1,779,715
PLANT AND CAPITAL EQUIPMENT......	426,400	557,600
TOTAL, PRODUCTION AND SURVEILLANCE...	1,900,900	2,337,315
PROGRAM DIRECTION - WEAPONS..........	50,091	55,930

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

ATOMIC ENERGY DEFENSE ACTIVITIES ACTIVITIES (CONTINUED)

	FY 1983 ESTIMATE	FY 1984 REQUEST
VERIFICATION AND CONTROL TECHNOLOGY		
OPERATING EXPENSES................	52,400	59,900
PLANT AND CAPITAL EQUIPMENT......	1,500	1,750
TOTAL, VERIFICATION AND CONTROL TECHNOLOGY.........................	53,900	61,650
MATERIALS PRODUCTION		
OPERATING EXPENSES................	827,410	1,125,700
PLANT AND CAPITAL EQUIPMENT......	375,350	359,600
TOTAL, MATERIALS PRODUCTION..........	1,202,760	1,485,300
DEFENSE WASTE AND BY-PRODUCTS MANAGEMENT		
OPERATING EXPENSES................	271,929	308,900
PLANT AND CAPITAL EQUIPMENT......	246,800	302,600
TOTAL, DEFENSE WASTE AND BY-PRODUCTS MANAGEMENT.........................	518,729	611,500
NUCLEAR SAFEGUARDS AND SECURITY		
OPERATING EXPENSES................	43,160	48,000
PLANT AND CAPITAL EQUIPMENT......	4,200	4,000
TOTAL, NUCLEAR SAFEGUARDS AND SECURITY...........................	47,360	52,000
NAVAL REACTORS DEVELOPMENT		
OPERATING EXPENSES................	437,910	490,000
PLANT AND CAPITAL EQUIPMENT......	89,000	123,000
TOTAL, NAVAL REACTORS DEVELOPMENT....	526,910	613,000
SECURITY INVESTIGATIONS..............	28,500	29,500
TOTAL, ATOMIC ENERGY DEFENSE ACTIVITIES - B/A...................	5,703,700	6,778,075
(OPERATING EXPENSES - B/A).....	(4,375,700)	(5,215,125)
(PLANT AND CAPITAL EQUIPMENT - B/A)	(1,328,000)	(1,562,950)
TOTAL, ATOMIC ENERGY DEFENSE ACTIVITIES - OUTLAYS...........................	5,474,735	6,422,180

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

DEPARTMENTAL ADMINISTRATION

	FY 1983 ESTIMATE	FY 1984 REQUEST
OFFICE OF THE SECRETARY..............	1,225	927
BOARD OF CONTRACT APPEALS............	307	341
GENERAL COUNSEL......................	13,422	11,809
INSPECTOR GENERAL....................	12,920	14,670
MANAGEMENT AND ADMINISTRATION		
OPERATING EXPENSES..................	129,367	112,307
PLANT AND CAPITAL EQUIPMENT........	2,285	3,900
TOTAL, MANAGEMENT AND ADMINISTRATION.	131,652	116,207
A/S FOR CONGRESSIONAL, INTERGOVERNMENTAL AND PUBLIC AFFAIRS..........	6,657	3,400
PMA COORDINATION.....................	956	517
OPERATIONS OFFICES		
OPERATING EXPENSES..................	92,446	76,374
PLANT AND CAPITAL EQUIPMENT........	615	1,081
TOTAL, OPERATIONS OFFICES............	93,061	77,455
MINORITY ECONOMIC IMPACT.............	1,962	1,674
POLICY ANALYSIS AND SYSTEM STUDIES...	9,589	5,734
INTERNATIONAL AFFAIRS................	3,366	2,566
COST OF WORK FOR OTHERS..............	109,265	116,191
MISCELLANEOUS REVENUES...............	-175,541	-209,619
SUBTOTAL.............................	208,841	141,872
UNDISTRIBUTED........................	13,233	---
TOTAL, DEPARTMENTAL ADMINISTRATION - B/A	222,074	141,872
(OPERATING EXPENSES - B/A).........	(219,174)	(136,891)
(PLANT AND CAPITAL EQUIPMENT - B/A)	(2,900)	(4,981)
TOTAL, DEPARTMENTAL ADMINISTRATION - OUTLAYS...........................	177,706	141,872

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

	FY 1983 ESTIMATE	FY 1984 REQUEST
POWER MARKETING ADMINISTRATIONS		
ALASKA POWER ADMINISTRATION OPERATIONS & MAINTENANCE...........	3,945	3,210
BONNEVILLE POWER ADMINISTRATION......	455,000	324,500
SOUTHEASTERN POWER ADMINISTRATION OPERATIONS & MAINTENANCE...........	3,964	20,594
SOUTHWESTERN POWER ADMINISTRATION OPERATIONS & MAINTENANCE...........	20,756	36,229
WESTERN AREA POWER ADMINISTRATION OPERATIONS & MAINTENANCE...........	149,750	219,630
WESTERN AREA POWER ADMINISTRATION EMERGENCY FUND......................	337	500
TOTAL, POWER MARKETING ADMINISTRATIONS - B/A..............	633,752	604,663
TOTAL, POWER MARKETING ADMINISTRATIONS - OUTLAYS............................	309,570	180,505
FEDERAL ENERGY REGULATORY COMMISSION		
OIL PIPELINE REGULATION	6,436	7,466
NATURAL GAS REGULATION...............	41,348	43,113
HYDROPOWER REGULATION LICENSING.......	22,608	24,184
ELECTRIC POWER REGULATION............	18,735	19,819
SUBTOTAL, FEDERAL ENERGY REGULATORY COMMISSION..........................	89,127	94,582
LESS PROPOSED PAY RAISE SUPPLEMENTAL.	-2,988	---
REVENUES..............................	---	-60,000
TOTAL, FEDERAL ENERGY REGULATORY COMMISSION - B/A...................	86,139	34,582
TOTAL, FEDERAL ENERGY REGULATORY COMMISSION - OUTLAYS...............	87,316	33,200

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

	FY 1983 ESTIMATE	FY 1984 REQUEST
NUCLEAR WASTE DISPOSAL FUND		
NUCLEAR WASTE DISPOSAL FUND..........	217,325	306,675
GEOTHERMAL RESOURCES DEVELOPMENT FUND		
GEOTHERMAL RESOURCES DEVELOPMENT FUND.............................	---	2,100
Subtotal, Energy and Water Development Appropriations - B/A...	9,622,047	10,607,862
Subtotal, Energy and Water Development Appropriations - Outlays...........	9,147,700	9,982,297

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

FOSSIL ENERGY

	FY 1983 ESTIMATE	FY 1984 REQUEST
Programs Funded by Interior and Related Agencies Appropriations:		
COAL		
COAL LIQUEFACTION	37,600	17,000
SURFACE COAL GASIFICATION	39,000	16,900
UNDERGROUND COAL GASIFICATION	6,000	2,000
ADVANCED RESEARCH & TECHNOLOGY DEVELOPMENT		
OP. EXP. & CAP. EQUIP	35,950	26,540
CONSTRUCTION	—	4,000
TOTAL, ADVANCED RESEARCH & TECHNOLOGY DEVELOPMENT	35,950	30,540
CONTROL TECHNOLOGY & COAL PREPARATION	27,900	17,050
HEAT ENGINES AND HEAT RECOVERY	5,000	1,000
COMBUSTION SYSTEMS	24,200	8,400
FUEL CELLS	30,050	9,500
MAGNETOHYDRODYNAMICS	29,000	—
ETC PROGRAM DIRECTION - COAL	23,700	—
PROGRAM DIRECTION - COAL	8,200	7,060
SUBTOTAL, COAL	266,600	109,450
PETROLEUM R&D		
ENHANCED OIL RECOVERY	6,500	11,250
OIL SHALE	12,250	8,600
ADVANCED PROCESS TECHNOLOGY	5,000	2,900
ETC PROGRAM DIRECTION - PETROLEUM	3,450	—

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

FOSSIL ENERGY (CONTINUED)

	FY 1983 ESTIMATE	FY 1984 REQUEST
PROGRAM DIRECTION - PETROLEUM........	600	600
SUBTOTAL, PETROLEUM..................	27,800	23,350
GAS		
UNCONVENTIONAL GAS RECOVERY..........	13,900	5,000
ETC PROGRAM DIRECTION - GAS..........	2,850	—
PROGRAM DIRECTION - GAS..............	200	200
SUBTOTAL, GAS........................	16,950	5,200
SUBTOTAL, FOSSIL ENERGY..............	311,350	138,000
USE OF UNOBLIGATED PRIOR YEAR FUNDS..	-93,836	-31,000
TRANSFER FROM ALTERNATIVE FUELS......	—	-13,000
TOTAL, FOSSIL ENERGY - B/A...........	217,514	94,000
(OP. EXP. & CAP. EQUIP. - B/A).	(217,514)	(90,000)
(CONSTRUCTION - B/A)...........	(—)	(4,000)
TOTAL, FOSSIL ENERGY - OUTLAYS.......	450,000	94,000

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

NAVAL PETROLEUM AND OIL SHALE RESERVES

	FY 1983 ESTIMATE	FY 1984 REQUEST
NAVAL PETROLEUM AND OIL SHALE RESERVES	222,000	266,100
TOTAL, NAVAL PETROLEUM AND OIL SHALE RESERVES - B/A	222,000	266,100
TOTAL, NAVAL PETROLEUM AND OIL SHALE RESERVE - OUTLAYS	257,110	268,171

ENERGY CONSERVATION

	FY 1983 ESTIMATE	FY 1984 REQUEST
BUILDINGS AND COMMUNITY SYSTEMS	39,100	16,385
INDUSTRIAL	27,900	10,633
TRANSPORTATION	53,900	40,957
MULTI-SECTOR	12,730	3,102
STATE AND LOCAL	233,660	3,300
SUBTOTAL, CONSERVATION	367,290	74,377
GENERAL REDUCTION	-24,000	---
USE OF UNOBLIGATED PRIOR YEAR FUNDS	-64,000	---
TOTAL, CONSERVATION - B/A	279,290	74,377
TOTAL, CONSERVATION - OUTLAYS	658,785	320,000

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

EMERGENCY PREPAREDNESS AND ENERGY REGULATION

	FY 1983 ESTIMATE	FY 1984 REQUEST
EMERGENCY PREPAREDNESS	5,365	5,230
COAL UTILIZATION.....................	2,070	---
UTILITY PROGRAMS.....................	---	---
COMPLIANCE...........................	20,015	7,133
PETROLEUM OPERATIONS.................	2,580	1,145
PROGRAM ADMINISTRATION...............	676	3,583
OFFICE OF HEARINGS AND APPEALS.......	5,275	5,500
SUBTOTAL, EMERGENCY PREPAREDNESS AND ENERGY REGULATION.................	35,981	22,591
REAPPROPRIATION......................	3,000	---
LESS PROPOSED PAY RAISE SUPPLEMENTAL.	-875	---
TOTAL, EMERGENCY PREPARDENESS AND ENERGY REGULATION - B/A...........	38,106	22,591
TOTAL, EMERGENCY PREPAREDNESS AND ENERGY REGULATION - OUTLAYS........	53,860	25,148

STRATEGIC PETROLEUM RESERVE

	FY 1983 ESTIMATE	FY 1984 REQUEST
STRATEGIC PETROLEUM RESERVE..........	2,316,178	741,870
LESS OFF-BUDGET SPR.................	-2,074,060	-583,100
TOTAL, ON-BUDGET STRATEGIC PETROLEUM RESERVE - B/A...........	242,118	158,770
TOTAL, ON-BUDGET STRATEGIC PETROLEUM RESERVE - OUTLAYS..................	283,857	227,600

DEPARTMENT OF ENERGY
FY 1984 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

ENERGY INFORMATION ACTIVITIES

	FY 1983 ESTIMATE	FY 1984 REQUEST
COLLECTION PRODUCTION AND ANALYSIS...	33,203	32,480
PROGRAM SERVICES....................	11,828	11,655
POLICY AND MANAGEMENT................	6,315	6,665
LESS PROPOSED PAY RAISE SUPPLEMENTAL.	-946	---
TOTAL, ENERGY INFORMATION ACTIVITIES - B/A	50,400	50,800
TOTAL, ENERGY INFORMATION ACTIVITIES - OUTLAYS........................	53,440	51,200
Subtotal, Interior and Related Agencies Appropriations - B/A..............	3,123,488	1,249,738
Subtotal, Interior and Related Agencies Appropriations - Outlays..........	3,551,143	3,035,519
Payments to States (permanent indefinite appropriation)....................	544	570
TOTAL, DEPARTMENT OF ENERGY..........	12,746,079	11,858,170
Less: Off-budget SPR.............	-2,074,060	-583,100
TOTAL, BUDGET AUTHORITY..............	10,672,019	11,275,070
TOTAL, OUTLAYS......................	10,929,288	11,151,960

The **Chairman**. Thank you very much.

Senator Johnston, would you like to go first?

Senator **Johnston**. Thank you, Mr. Chairman. First of all, Mr. Secretary, the law requires that to the extent that the Department of Energy has money to fill the SPR in excess of 220,000 barrels a day that they must do so.

Are you aware of that law?

Secretary **Hodel**. Yes.

Senator **Johnston**. Do you have more than enough money to fill in excess of 220,000 barrels a day?

Secretary **Hodel**. There are carryover appropriations in excess of the amount necessary for 220,000 barrels a day. A significant block of that money has been allocated to the defense procurement, Senator, who does the purchasing for us? I have received an inquiry, at the confirmation hearing as a matter of fact, from Senator Jackson and a follow-up letter from Senator Jackson asking me to explain our position with regard to this particular matter, and I had hoped long before now to have an answer.

We have a conflict in legal opinions at the moment as to how that act applies to our specific situation. If it is not resolved soon, I believe we will have to go to the Attorney General and request a resolution of the matter.

Senator **Johnston**. OMB is the problem?

Secretary **Hodel**. I jokingly suggested to somebody earlier today, having been an attorney in private practice, that we made the mistake of asking two lawyers for their opinions. We now have three opinions, and we do have to obtain a resolution of that matter. Until we do so, I am not able to give a definitive answer as to our position.

Senator **Johnston**. All right. Mr. Hodel, in the last appropriation bill we had some language in there relative to Clinch River to urge greater participation in Clinch River by the private sector and the utility involved.

Is that an on-going activity of the Department of Energy?

Secretary **Hodel**. We are trying earnestly to get the industry committee to generate alternative ideas as well as levels of proposals for participation in the project. As you know, it is a very difficult time for utilities also to contemplate any kind of additional expenditures on their part.

My position has been that, in the absence of an increaseed showing of support from the utilities, it would be virtually impossible for us to carry the case for Clinch River, although I personally believe that as a Nation we need to continue our capabilities with regard to the breeder. We get into all kinds of arguments, as you know, about how rapidly it will be needed and the cost in technology in the current time.

Senator **Johnston**. As a supporter of improved technology and Clinch River in particular, I share your views, that I would like to see it go forward, and the reason I ask the question is to urge you on and get something worked out with the utility. If it is important, it is important for them, and they ought to come in with great participation, and I hope you will encourage that.

What is the status of the natural gas legislation in the administration at the present time?

Secretary HODEL. I have spent uncounted—not unaccountable, but certainly uncounted—hours in discussions with all kinds of organizations, groups, groups of organizations, ranging from consumer groups through senior citizens' organizations, distributors, organizations, and splinters thereof, pipelines and producers, in an effort to piece together something which I believe would be a basis for a bill from the administration.

I believe that the administration, in order to have a beneficial, significant impact on the debate which will most assuredly take place regardless of our involvement, needs to come forth with a piece of legislation. It seems to me that the legislation which we need to structure and which we are working on at this time, has to deal with the dislocations that have occurred under the Natural Gas Policy Act. I have tried to characterize this as a repair of NGPA.

Senator JOHNSTON. Do you think they will get a bill, and if so, when, or can you say what are the chances?

Secretary HODEL. Recognizing that this is an opinion? My opinion is that we will have a bill, and my opinion further is that it will be hopefully not later than the return of the Senate into session on February 14th I hope by that time we will have generated an administration position which with we can come forward.

Senator JOHNSTON. From my standpoint and other standpoints, I wish you would try to get that as a date because it is important if something is going to be done, that it be done soon. Time is awasting.

I notice the President included a standby import fee, oil import fee. What is the chance of accelerating that, considering first that 40 percent of our rigs are down, that OPEC may be coming apart, and therefore by that, oil prices may be actually coming down so we may be able to put on an import fee at this time, achieve conservation without having an increased price?

Secretary HODEL. The administration proposal, Senator, in fact is a proposal for a $5 per barrel import and domestically produced oil fee, which is quite a different animal from the import fee alone. The import fee proposal causes considerable consternation at the Department of Energy, I am told, because of the complications and the staffing and the expense and the subsequent lawsuits which we are still picking up from past oil controls that it creates, so that there is concern about that.

The proposal for, or the consideration of bringing the standby tax forward in time, I think we would oppose partly because of its anticipated effect on the spendable income that would at the very time when we are getting the benefits in our economic system of the reduced price of oil, we would at least turn around and reverse ourselves and say it should be $5 a barrel higher. That is my expectation of our position on moving it forward.

Senator JOHNSTON. Just one final parochial question on the strategic petroleum reserve. When they leach out the salt domes in Louisiana they put brine out into the Gulf of Mexico. There has been an on-going monitoring of that brine disposal program down there, and they have been using a very respected entity, that is, McNeese State University, as the brine monitoring agency.

Somebody in DOE has got it in for McNeese I am told and they want to change agencies which has a lot of people, including me, very, very upset, and a lot of shrimpers down there because they don't have confidence in others like they do their local university. I am going to meet this afternoon with your man. I wish you would pass the word along how important it is with respect to monitoring brine because shrimp is rather important in Louisiana and they don't want some out-of-State outfit to come in for whom they have no respect.

The **CHAIRMAN**. Did you hear that, Mr. Secretary?

Secretary **HODEL**. I heard that, Mr. Chairman.

The **CHAIRMAN**. Senator Hecht.

Senator **HECHT**. No.

The **CHAIRMAN**. Senator Ford.

Senator **FORD**. Mr. Chairman, I don't have any parochial questions.

Senator **JOHNSTON**. I have got some more if you would like to ask them for me?

Senator **FORD**. Pass them over. I'll ask them for you Mr. Hodel, to get back to a couple of things, I want to read you in your nomination hearing a little conversation you and I had, and I said, "Mr. Chairman, I believe we have discussed before our inability to secure the recommendation of the Department of OMB * * *" referring to funding. "About the only thing we have been able to see is what OMB sends to us or whatever they send back to you * * *" referring to the chairman. "I would hope that we would be in the posture of finding out your recommendations * * *" referring to you, "* * * to OMB."

I think they are called, what, Holifield tables? Whatever happened?

Secretary **HODEL**. I am assured that they will be forthcoming, and they are Holifield tables.

Senator **FORD**. Will be forthcoming?

Secretary **HODEL**. I am told that they will be forthcoming. Would you like a schedule?

Senator **FORD**. Sir?

Secretary **HODEL**. Would you like to know what time?

Senator **FORD**. I certainly would.

Secretary **HODEL**. I am advised that they will be within the next 30 days.

Senator **FORD**. Next 30 days; we will be through with the budget then.

In your statement on page 10 you make a statement as it refers to stocks of crude and petroleum products in SPRO, and one part of your statement says, "Private stocks currently are in excess of normal working inventories," and the word "normal" bothers me a little bit. I am looking at weekly petroleum status report of January 28th, and this is the average range or working range, and here we go way down here. In fact, we are beginning to deteriorate as it relates to the week ending January 28th.

How does that square with your statement?

Secretary **HODEL**. Senator, I can't square that unless it is referred to here as compared to the overall stocks and inventories is with regard to home heating oil which, as you know has been in less demand during this period of time than was ordinarily the case.

Senator **Ford**. Your statement starts on page 9, Strategic Petroleum Reserve, and it is in the second paragraph or the first complete paragraph on page 10.

The sentence is "The SPRO now holds 300 million barrels of oil, nearly three times as much as at the beginning of this administration, and private stocks currently are in excess of normal working inventories."

Secretary **Hodel**. I am at a loss to explain that to you, Senator, in light of that chart.

Senator **Ford**. They don't square. I think you and I have talked before and we have been very congenial and I am very pleased with your cooperation. When a statement like this comes from you, and then we look at a chart from your organization dated January 28th and you are at a loss to square it with us, it puts both of us in somewhat of an untenable position as it relates to trying to work together. I want to work together, and I have explained that support to you.

Secretary **Hodel**. Senator, if I may offer, in view of this obvious discrepancy here, I would like to get back to you in writing this week with an answer to that because it troubles me as much as it troubles you.

Senator **Ford**. Could you get it to me late Thursday evening or late Thursday morning? We have some other things to do here Thursday. We have some other people coming.

[The requested information follows:]

INSERT FOR THE RECORD

THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

February 1, 1983

Honorable Wendell H. Ford
Committee on Energy and
Natural Resources
United States Senate
Washington, D.C. 20510

Dear Senator Ford:

Enclosed for your information is a copy of the Department of Energy's FY 1984 budget submission to the Office of Management and Budget. As we discussed in this morning's hearing, we will forward a copy of the Budget History Table as soon as it is available.

In addition, you asked for clarification of the following statement in my prepared testimony:

> "The SPR now holds 300 million barrels, nearly three times as much oil as there was at the beginning of this Administration, and private stocks currently are in excess of normal working inventories."

Stocks of crude oil in the Strategic Petroleum Reserve reached a level of 300 million barrels on January 29, 1983, over 270% of the 111 million barrel level as of January 21, 1981. Private stocks of crude today are 357 million barrels, fully 95% of their 374 million barrel level at the beginning of this Administration.

Private crude oil stocks in the U.S. are substantially in excess of normal working inventories--or more precisely, the Minimum Operating Inventory, or MOI. They are also well within the average range for the past three years. As mentioned above, private stocks of crude oil (all primary stocks except the Strategic Petroleum Reserve) are currently about 357 million barrels (mmb), compared to the MOI level of 290 mmb. Stocks of the major refined products are also all above their respective MOI levels.

The MOI level was established in 1979 by the National Petroleum Council (NPC) based on demand and supply in 1978. At the Department of Energy's request, the NPC has agreed to update the MOI study to take into account current conditions. Demand for petroleum products in 1982 was over 3.5 million barrels per day lower than in 1978, and it is our strong belief that MOI levels now appropriate are well below the previous values.

As you are aware, crude oil and petroleum product stock levels are published weekly by the Energy Information Administration, the independent statistical and analytical arm of the Department of Energy.

Sincerely,

Donald Paul Hodel

DONALD PAUL HODEL

NOTE: (Letter provided for record without enclosures.)

The CHAIRMAN. Would the Senator yield on that point? I might say, Mr. Secretary, that all of the information we have to date is that the private stocks have been drawn down more rapidly than the SPRO has built up so that the total stocks of crude and refined product are lower in the United States today than it was at the outset. If that is not true, I wish you would provide us with that information.

Secretary HODEL. All right. I think we should cover that as well in that memorandum.

Senator FORD. Mr. Chairman, I have some questions but I want to get back to the Holifield tables. Are they available now? Have they been completed? They have not been completed?

Secretary HODEL. I am advised they have not been completed. They are in process.

Senator FORD. Why not? I thought they had to be completed before the budget was submitted to us, or to the President before they were submitted to us?

Secretary HODEL. I am advised, Senator, that the table will provide what we asked for from OMB, what we received from OMB, and what we have asked for from the Congress. It is on completion of the submission of the budget to Congress that the preparation of that table is then able to be completed.

Senator FORD. I thought the table went to OMB and they used those tables to make their decision. Am I wrong in that or does OMB just make it up themselves?

Secretary HODEL. I am advised that the table we send to OMB is not the Holifield table as you refer to, but an internal table setting forth what we request from them.

Senator FORD. Maybe that's the table I want instead of the Holifield. Maybe I want both of them.

Secretary HODEL. If I understand the communications which I have been relaying here, it is——

Senator FORD. It's like fresh air—you're honest!

Secretary HODEL. The Holifield table is a compilation of the request that we put to OMB, what they give back to us, and what we ask for so that there is a complete picture of the budget process we have gone through in reaching the final budget number.

Senator FORD. Mr. Chairman, I don't wish to belabor this point. I yield, but it seems to me that what I wanted and what we have discussed at the time of your nomination hearings and which I thought you agreed to let us have was basically your working papers to OMB on your request of OMB for the coming fiscal year, and the Holifield tables are not what I wanted. The Holifield table is a compilation of what you requested, what OMB gave back to you, and what you are saying to us, and I wanted the working papers, what your request to OMB was.

Secretary HODEL. Senator, we will do that and provide that to you this weekend. That won't be the Holifield table, but it will be our request to the OMB.[1]

Senator FORD. That's mighty fine. I think basically that is what I want. We are getting down I think the ability for this committee to look at what the request was and help us make our decision, but I think we are back in the basic position that we were last year, that what you have sent up and what the committee is going to do is going to be two different things. At least I hope so, and I believe the Chairman and I may be on the same wavelength as it relates to that.

---

[1] See p. 105.

I do thank you for your honesty and directness.

Secretary **Hodel**. I need to emphasize that, when we put forward our budget proposals to OMB, it is in the nature of a wish list, recognizing that in every budget process the budget officers have a terribly burdensome and difficult task of attempting to cut; and we don't always see eye to eye with the budget officers. I used to work for a man who said, "Don, you have never seen a statue erected to a budget officer." We know why; it is a terrible job.

In dealing with the OMB, we have tried to emphasize the directions in which we think our budget ought to be going and made some adjustments to our requests from last year. From the programmatic standpoint, there has been movement if you look at this budget compared with what we requested last year—not what we have obtained from Congress, I recognize there is a substantial difference. As I said in my opening summary, I think it is important to look at the directions we have attempted to take in this budget.

We have increased our requests for fossil and for conservation and renewable over our requests for last year—less than what the Congress provided us by all means, and I recognize that it is well below in some instances, but I think it is a significant trend—and I hope that, as the Assistant Secretaries for various programs come forth and discuss this with you, we will be talking not only about our priorities, but also the levels.

I recognize that many of these will not be satisfactory to the committee, but in the budget process we have this overriding concern for budget levels in the whole Government which have had their impact on what we end up requesting from Congress.

Senator **Ford**. That's all I have, Mr. Chairman.

The Chairman. Thank you very much, Senator Ford. Senator Chafee?

Senator **Chafee**. Thank you, Mr. Chairman. Mr. Secretary, in your opening statement which I was not able to hear, you mentioned that the request for conservation R&D is 3½ times greater than the 1983 request, although considerably below what Congress appropriated during 1983.

Now as I read this, what you have come up with is an energy research and development request for environment, for conservation, solar and other renewables that cuts about 53 percent from what is currently being appropriated, about $500 million. And in addition you zeroed out the state and local conservation programs.

Now I wonder if this makes a great deal of sense? It is these programs, as you mentioned in your testimony, that are so important to keep up the trend of conservation. You yourself said we can't all get up and think we have reached Nirvana just because the OPEC has had some fractionation and oil prices are going to be going down. That can turn around just as quickly the other way. I share your hope that the country will not give up the conservation effort, so I am disturbed by these sizable cuts.

Now at the same time I do recognize that you have begun disbursing the money from the oil price settlements and perhaps that is a rationale for your action, believing that those oil price settlements have so far—at least in January—disbursed some $200 million for the States.

Secretary **Hodel**. Senator, I think in all candor I would not attempt to claim that that disbursement, the $200 million which we disbursed under what has been called the Warner amendment, represented any kind of a tradeoff in my mind in regard to this budget proposal. It would be nice to claim that, but I don't think I can. That was pursuant to the Congressional direction and pursuant to a formula for those payments that was identified in that bill.

The cut in the State and local and weatherization programs in the Department of Energy budget, which is the big cut in the conservation portion of our budget from the amounts appropriated in fiscal year 1983, was a result of our view that weatherization programs ought not to be coming to the States and the local communities from a multiplicity of Federal agencies. It appears that they ought to be appropriately part of the distributions made by the Health and Human Services Department, which in fiscal year 1983 was $1.95 billion, up to 15 percent of which can be used for weatherization activities.

Now the request in fiscal year 1984, just so I present the whole picture—I don't want to mislead you or appear to be trying to mislead the committee—our request as an Administration for that same program from HHS this year will be $1.3 billion, the same level as last year, so that the $255 million which I have had in my mind as the overall figure for weatherization programs is not in this budget; but if it is to be in the budget, it ought, in our view, come from the Health and Human Services Department, so we don't have the duplication of distribution system and auditing system and the like.

Senator **Chafee**. Well, of course, that is a great way for your Department to make a savings, but you know from experience that HHS isn't going to do the job to anywhere near the degree it deserves. So what we have here is a cutting of the funds, low-income weatherization, and yet a continuing of funds for low-income energy assistance, and as you and I discussed the other day, that it seems to me the sensible place to spend this money is in the conservation, the weatherization rather than just continually pouring money out in the income assistance, and when you look at the balance of your budget what you have done is, while making 53 percent in this, in fact what you call conservation, solar and other renewables, you are increasing defense by I guess an 18 percent increase. In other words, you have gone up by a billion dollars, and this overall budget for defense has gone in just 3 years, from 1981 to 1984, from 3½ to 6.7 billion. That is a hundred percent increase in 3 years.

Could you give a little justification for that?

Secretary **Hodel**. I can, Senator. I can relate the answers which I have been given as to that range, and I can talk about what we have done in this budget, yes.

The status of our nuclear weapons stockpile and the perceived need for nuclear weapons materials prior to the beginning of 1981 was at a very low state. The stockpile materials do need to be refurbished. They do need to be upgraded in order to maintain their effectiveness. That had not been programed adequately and in fact I think if you look at the budget projections at that time you would find that there was projected a substantial increase, even in prior administration budgets, during this period of time for upgrading of those activities. I don't have a figure at my fingertips, but I would expect that we would find that both the former administration's and this administration's projected budgets for this period of time were on a distinct increase.

We have, as you know as an administration taken a stronger view on the need for an appropriate level of defense and that has fed into this budget as well.

Senator CHAFEE. Well, no one is arguing with a strong defense, last of all me, but there just comes a point it seems to me where some effort must be made to hold it down, and I think that the State-assisted programs have been so effective in holding down consumption. In my State we have cut in 1971 to 1981, we have reduced energy consumption by 20 percent. That is an extraordinary record, largely due to the Federal conservation programs which have been an incentive to local conservation programs. I think it is dollars well spent.

Mr. Chairman, I thank you.

The CHAIRMAN. Thank you very much. I might just make a point with respect to the weapons program, Mr. Secretary, in case you would care to expand upon it or add or explain it further. The production facilities on the Savannah River are designed with the lifetime design of 30 years. When they are 30 years old, if we haven't come to the end of that program, we have to replace them with new production facilities A large part of the expenditures here are associated with extending the life of those machines, extending the life of that equipment, for an additional period of time. Is that correct?

Secretary HODEL. I believe that is correct, and it is the production of the materials from those facilities.

The CHAIRMAN. And there is a large part of the increase in that program that is also dealing with the processing of military waste.

Secretary HODEL. Yes.

The CHAIRMAN. So that it isn't all with respect to simply an expansion of the facilities. It has to do with rendering that program more stable and more secure as well as dealing with some of the problems that develop within it as you develop nuclear waste, they must be processed.

Secretary HODEL. The increases in percentage over the fiscal year 1983 appropriations are pretty much across the board, Mr. Chairman, as you have indicated. In weapons activity, defense waste and byproduct management, materials production and the like, they have pretty much been increased across the board to meet these objectives.

The CHAIRMAN. I think Senator Chafee is right on target in highlighting the expansion of the dollars, but I think we need to explain what the components of that increases.

Senator Nickles?

Senator NICKLES. Thank you, Mr. Chairman. Mr. Secretary, a couple of brief questions—I guess on the budget as I just look at it in quick summary, do you have money for synfuels in this budget?

Secretary HODEL. We have money for synfuels R&D activity in our budget.

Senator NICKLES. How much is that?

Secretary HODEL. Hold on for a second.

(Brief pause in the proceedings.)

Secretary HODEL. It is not separately identified, but in the coal liquefaction and the surface coal gasification and underground coal gasification projects, plus I am anticipating components of some of the other line items, advanced research and technology and the like, you will find bits and pieces of activities that relate to and support the activity of the Synfuels Corporation.

As you know, the actual expenditures for the projects themselves come from the Synthetic Fuels Corporation.

Senator NICKLES. I wanted to know if that was over and above whatever synfuels is, so this is under what, your fossil energy?

Secretary HODEL. It is under the fossil energy component of our budget.

Senator NICKLES. Under that particular component which has funding for the energy technology centers I think three of which are in the process of trying to transfer over to outside of Government into private hands, what kind of progress are you making there? Are you familiar with that?

Secretary HODEL. Yes. I believe that we are very close on the two centers that are to be transferred to universities and that we are in the process of going through a solicitation with regard to Bartlesville because the ininital proposal concerning that center would not involve a university, so we are advised that we must go through a solicitation for proposal in that regard.

Senator NICKLES. The funding amount that you have for 1984 in total fossil energy was $94 million as compared to $217 million in 1983. Does the $217 million, is that what is authorized and appropriated last year?

Secretary HODEL. The $217 million is a net figure. Last year, the total expenditure level appropriated was $311 million and was requested at $138 million, but we had carryover funding of $94 million which was made available by the Congress, and this year in the request we take $44 million. The net figure is $217 and $94 million, but the actual expenditure level requested is $138 million as compared to $317 million in the appropriations of last year. The $138 million represents, I think, a 27 percent increase over the amount we requested last year. So we have increased our request, but it is still well below the level that was appropriated by the Congress.

Senator NICKLES. Are you still envisioning, though, some contributions support for those particular centers, energy technology centers I mentioned--one in Wyoming and North Dakota and Oklahoma?

Secretary HODEL. I believe we are, yes, sir.

Senator NICKLES. A couple other comments—one was I was pleased to hear you remark about urging the administration to come forward on the natural gas proposal, and I do think it is important to be done on a timely basis, and so I certainly encourage your efforts there.

In dealing with the administration, did they consult you very much as far as the standby $5.00 tax?

Secretary **Hodel**. No. That is a revenue proposal; and in my discussions with them, it was agreed that, when we reached the point of drafting the proposal, we will take into account its potential impacts on energy. I would be a participant in that process, but the purpose of the tax, the driving force behind that standby proposal had to do directly with raising revenues.

Senator **Nickles**. I had an idea that that was probably the case. I wonder if the persons that were involved in making that proposal are aware of the condition of the domestic petroleum industry? Senator Johnston mentioned the fact we have 40 percent—it used to be 40. Now it has climbed into the 40 some percent—of the rigs, domestic, are now idle, and I wonder if the people that were making that proposal are aware of that fact?

Secretary **Hodel**. I believe they are, yes, Senator.

Senator **Nickles**. Can you tell me any industry in the United States that pays a higher tax than the oil industry?

Secretary **Hodel**. I cannot, but frankly, I can't tell you the tax levels for the oil industry or of other industries.

Senator **Nickles**. In 1981 the windfall profits tax raised about $21 or $22 billion. Do you know what it raised in 1982?

Secretary **Hodel**. No.

Senator **Ford**. I can tell you. The greatest percentage of tax paid was distilleries.

Senator **Nickles**. I wonder, too, if persons in the administration, when Senator Johnston talked about an oil import fee, but as you correctly mention, that the proposal as it was bandied about was $5.00 for domestic and for imports—if persons who are making that recommendation were aware of the fact that if you took the windfall profits tax and applied it on domestic, that right now we have a very heavy tax on import, or heavy tax on domestic production while we have no tax on imports, but we already have quite an imbalance as it is today, and I think that would be something that certainly should be kept in mind if one is talking about—yes, I realize their desire to get more revenues, and I understand I guess a lot of the time people want to continue to go back to the oil industry, but we have a very, very punitive tax, very heavy tax on domestic production, particularly as it relates to imports, and that is current policy which really to me seems absurd because it penalizes domestic production and encourages imports and at the same time of course encourages our export of dollars and affects the balance of trade, et cetera, so I would hope that your Department would have a lot more to say concerning these proposals when they are bandied about.

I understand the desire is to raise revenues, et cetera, but we don't want to do something that would be very, I think very punitive.

How many people right now are talking about natural gas and prices of natural gas being too high? And they certainly are high and hard for a lot of people to afford, but almost in all cases across the United States they are cheaper than oil and when you talk about a $5.00 fee, you are talking about increasing people's heating costs, and so I think there is a lot of things that need to be considered, and I would hope that on second thought that they would look back and say wait a minute. We have got an industry that we have overtaxed. There is no other industry that pays $20 billion tax. The total corporate income tax for 1981 was $60 some billion, and the windfall profits tax the same year was $21 billion, so I think we have kind of made a little mistake there and I would hope that they would chew on it and I would hope they would consult with the Department of Energy and consider the negative impacts of such a tax proposal before they would actually carry it a little bit further.

Thank you.

The CHAIRMAN. Thank you, Senator. Senator Nickles touched on the question of the synthetic fuels component of the budget request. As you know, the Synthetic Fuels Corporation is an independent corporation created by the Congress by hotly debated action between the House and the Senate, and then concurred in by the administration. It operates under a separate statute along with the funding that was created in that Act.

I understand that the administration has had a Cabinet Council review of this administration's position with respect to the synthetic fuels program with a view of whether or not to request a change in the statute under which the Synthetic Fuels Corporation operates at the present time. Am I correct in that?

Secretary HODEL. That is correct, Senator.

The CHAIRMAN. What was the conclusion of that review, if you can state it at this time?

Secretary HODEL. Mr. Chairman, let me go back just a bit in the process. The question was raised at some stage in the Cabinet Council process about whether or not we should review our position with regard to the Synthetic Fuels Corporation. Looking at the level of responses to the initial request by the Synthetic Fuels Corporation, looking at the level of dollars that are involved in that proposal, looking at the changes in consumption patterns on oil, one of the questions naturally raised by economically-oriented people—really it is economists—was, is this an appropriate expenditure of funds for the Government, recognizing that Synfuels is a separate corporation and recognizing that even if we did not think it was, that what would have to be done, we would have to come to Congress and say we think it is time to re-examine this?

I think it is good management to do that kind of reexamination, and we do it constantly on all kinds of issues. To do so doesn't necessarily foretell the outcome because, as in this case, we did discuss it on several occasions. Ed Nobel, who is chairman of the Synthetic Fuels Corporation, made a very effective presentation of the considerations by the Board in coming forward with what are the second level requests for proposals. In doing that he made the point very effectively that, of our fossil resources, 90-some percent are in the form of coal and oil shale and tar sands, and that not to proceed with efforts to develop a viable synfuels technology would be a mistake for a Nation of this type where the amount of liquid fuels and gaseous fossil fuels are relatively small—large in absolute terms, but relatively small, so that the bottom line conclusion of the discussion was that we should not do anything and should not seek to ask the Congress to re-examine the Synthetic Fuels Corporation.

As we are well aware, there have been calls from time to time from Members of Congress to re-examine that same issue; and I think, at this stage, we are supporting the Synthetic Fuels Corporation's request for up to half a dozen proposals for construction of oil shale technology.

The CHAIRMAN. Thank you very much.

Senator Wallop?

Senator WALLOP. Thank you, Mr. Chairman. I guess I am glad I was not here to rephrase that statement from economically oriented people to economists. I know of many economically oriented people and few economically oriented economists. They seem to have in their operation theoretically lots of places of difference.

Let me ask you this. Given the fact of a really quite disabled domestic petroleum industry, shouldn't we reorient our concept of where we buy the petroleum for the strategic reserve? Shouldn't we do that at home now?

Secretary HODEL. Senator, I think that is a good question which, frankly, I have not had raised nor have I raised it myself until this moment.

It is an intriguing question.

Senator WALLOP. I would hope it would be at least viewed with some perspective because not only do we have a lot of unemployment in the oil plants, but we also have a fairly significant effect on the Nation's budget with the declining windfall profits tax from lesser production. We have a very significant lessening of the basic revenue resources since some of the States' budgets are funded in large or some measure by domestic production.

I think it would be, you know, a potentially very great help to the economy for at least the rest of this year.

Secretary HODEL. I hear what you are saying, Senator, and I will look at that. As I just think about it briefly here, I think we need to be careful as a Department that we don't put ourselves in a position where it looks like we are trying to find ways to raise the price of oil domestically. It seems to me that one of the problems that is faced in a number of industries—it is not unique to the oil industry nor is it unique to the natural gas industry—certainly we are aware of the problems of the electric utility industry, the very severe problem for all of these industries which I think is contributing to the hesitancy of investors to put forth money to fund projects in these areas is the uncertainty about, among other things, Government policy, Government expenditure levels, and what the future price levels will be.

I am led to believe that there are still significant rewards to be obtained by people who invest in oil and gas exploration in this country—not as great as what we have had, but certainly substantial rewards—and yet we don't see that level of investment. I think partly it is market concern and investor concern and so on. I think that, as the economy turns around and as confidence returns about the level of economic activity, we will see much of that kind of cause of unemployment diminish.

Senator WALLOP. I guess I wouldn't think of it in terms of raising the price of oil, and I don't think that we ought to be in that posture, but I think you would have to buy a hell of a lot more than you have been buying in order to raise it either at home or abroad. I am thinking in terms of just stabilizing it. I think one of the reasons why you are having a decline in investment is because people don't know how far down it is going to go, and I suppose nothing we do here is going to really add to the certainty surrounding that, but we are going to have to find an alternate marketplace, but I just think it is worth consideration as a matter of course.

The CHAIRMAN. Senator, would you yield on that subject? An associated area that I intend to ask some questions concerning is the naval petroleum reserve, particularly Elk Hills. I know the budget submission calls for an increased drilling activity at Elk Hills to increase production, and I question whether that is security driven, management driven, or simply dollar driven to increase revenues.

As a way of backdrop, I think it is worth noting that this Committee directed that a portion of Elk Hills production be diverted to the strategic petroleum reserve because the naval petroleum reserve is intended to be a security reserve. We felt that it was important that a portion of that production not simply be consumed but be diverted.

I wonder if, as a matter of fact, there is to be increased activity at the Elk Hills, if that doesn't merge itself into the debate that we will have with respect to the fill rate level on the strategic petroleum reserve, and if maybe that may not be where some of the ultimate resolution will come in permitting increased production at Elk Hills, which increases revenues, by putting it in the reserve, which maintains security but nevertheless decreases the outflow of capital necessary to increase the strategic reserve.

Would you care to comment, Mr. Secretary?

Secretary HODEL. I am in a position of saying that I would like to look at that and see just exactly to what extent we are driven by sound management considerations.

The CHAIRMAN. When you say sound management, are you talking about maintaining the efficient rate of production?

Secretary HODEL. And adjacent fields and drainage fields and that kind of thing, and there was some discussion of that but what I am not prepared to tell you, Mr. Chairman, is that that related directly to this Elk Hills production. I don't want to represent that that was the case until I am confident of it.

The CHAIRMAN. Would you provide that for the record?

Secretary HODEL. Yes, and I think also we should take a look at this question of naval petroleum reserve oil and its relation to the strategic reserve and be prepared to discuss that with the committee in whatever detail you would like.

[The requested information follows:]

DRILLING ACTIVITY AT ELK HILLS

The budget submission does not contemplate increased production from Elk Hills. Production at Elk Hills already is at the "maximum efficient rate" (MER), in accordance with the Naval Petroleum Reserves (NPR) Production Act of 1976. On October 6, 1981, the President submitted to Congress his certification and report pursuant to that Act (10 U.S.C. § 7422(c)(2)), that continued MER production until April 1985 was in the national interest, on the ground that the costs of shut-in—deferring Federal budget receipts and increasing the U.S. oil import bill—outweighed the strategic value of shutting in the Naval Petroleum Reserves.

The planned drilling activity detailed in the Elk Hills budget submission represents only that drilling necessary to continue Elk Hills production at its MER, which has peaked and is now on the decline. Approximately 100 development wells per year are drilled to maintain MER production. None of the wells planned at this time are included for the purpose of preventing drainage, as no drainage exists from those reservoirs being produced.

RELATIONSHIP OF NPR TO SPR

The Energy Security Act of 1980 in effect directs that Elk Hills be shut in unless the Strategic Petroleum Reserve (SPR) has 500 million barrels in storage, or maintains an average fiscal year fill rate of at least 100,000 barrels per day. However, the SPR fill rate has exceeded this level each subsequent fiscal year. In 1980-1981 after SPR fill resumed following its cessation during the Iranian revolution, Elk Hills NPR oil was exchanged for approximately 36.6 million barrels of other oil to be stored in the SPR.

The question of whether to renew using NPR oil to fill the SPR is reviewed periodically and generally has been found, based on market conditions, to be uneconomical. In addition, pipeline capacity limitations make direct shipments of any significant amount of NPR oil to the SPR both impracticable and costly.

Pursuant to a request by Secretary of Defense Weinberger, all of the NPR oil currently produced is being sold to the Department of Defense.

The CHAIRMAN. Thank you.

Senator WALLOP. I just have two more areas I would like to talk about. Two things—one is the commitment to renewable resources and conservation sort of coupled up in there because I think there is some real advantage to this country. I am worried that at this moment when we see OPEC unable to control itself and our own energy industry has some problems and the prices coming down and all the automobile manufacturers being forced to make tough decisions about going back into the production of large cars, that we lose sight how quickly we got where we were before and how quickly we can get back into it, so I just am making an expression, and I hope as we go along that the synthetic fuels program does continue to have the support of your Department and as well the areas of solar and renewable resources.

That is a statement. Just one question—in the Power Marketing Administration we have an overall reduction in the budget, but quite a lot of rather dramatic changes in the levels of funding both up and down. For example, Bonneville borrowing authority is down $130 million. Southeastern expenditures is up from $4 to $20 million; Southwestern down or up from $20 to $36 million, and the Western area up from $149 to $219 million.

Can you just sort of tell me what is going on there?

Secretary HODEL. My understanding is that a substantial portion of the difference is the availability of prior year funding. In the case of Southeastern administration, I believe there has been a recasting of goals and figures so that this is a comparable budget to last year's for the Southeastern Power Administration. While on the face of it it appears to be five times as great, it is a comparable budget because I believe we are showing a change in the billing process, so that that money flows through Southeastern and then, instead of it utilizing the funds, we fund it through an appropriation so that shows a net increase there.

In the case of Southwestern, we have carryover funds of about $17 million which will be available. In the case of Western Area Power Administration, I am advised that $66.7 million is an offset to the fiscal year 1983 level of $150 million, which increased the amount available in fiscal year 1983 to $216.7 million.

Senator WALLOP. 219.

Secretary HODEL. This year we are requesting $220 million, so it provides us essentially the same continuity.

Senator WALLOP. Are we going to be asked—I am speaking of the Bonneville area. Are we going to be asked to pick up the wreckage of Washington-Oregon States' referendums on nuclear power? Is the Federal Government going to be asked to pick up that?

Secretary HODEL. Senator, there will undoubtedly be people who seek Federal assistance of one kind or another; and so I suppose the correct answer is yes, you will be asked.

The question is whether we will be asked in a formal way or will we be asked to support such a proposal? Will we be prepared to?

We have taken the position at the present time, while it is a very, very serious problem there and it does need to be dealt with, that there is a tremendous capability on the part of the electric utilities in the Pacific Northwest to resolve that issue.

At the present time what we lack is the kind of consensus which would permit that to take place. In the absence of that consensus, it is very difficult to conceive of any proposal for assistance from outside that would be more effective. It seems to me that, until the participants in the region have sorted out the ups, downs, pros, and cons of various alternatives and have decided that it is timely to work together to resolve the problem rather than litigating unendingly with each other, we aren't going to be very much help.

Senator WALLOP. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Bradley?

Senator BRADLEY. Mr. Secretary, how much money is available to you to buy SPR oil in fiscal year 1983?

Secretary HODEL. In fiscal year 1983, $2.74 billion.

Senator BRADLEY. Don't you have something left over from prior years?

Secretary HODEL. Some $600 million I believe—no. My understanding, Senator, is that we have approximately $300 million as a carryover, and we will have to correct these figures if I am mistaken, and we had about $600 million which we have allocated to the defense procurement organization which does the purchasing for us.

Senator BRADLEY. You mean you came up here to testify today without knowing how much money you have available for the SPR?

Secretary HODEL. I don't have those figures at my fingertips, Senator.

Senator BRADLEY. This committee has been fairly clear on its interest in the SPR.

Do you know how much you have already bought, paid for delivery, and how much is going to come this year?

Secretary HODEL. We have 300 million barrels in the strategic petroleum reserve as of January 29.

Senator BRADLEY. No, no. How much have you paid for that will be delivered?

Secretary HODEL. We plan to purchase oil at the rate of approximately 220,000 barrels a day. Oil fill will run about 216,000 barrels per day on average, and it would give us by the end of this fiscal year a total strategic petroleum reserve storage of 357 million barrels or so.

[Subsequent to the hearing the Department of Energy supplied the following:]

Strategic Petroleum Reserve Oil Purchases Scheduled for Delivery During Fiscal Year 1983

[Millions of barrels]

Oil fill Oct. 1, 1982 through Jan. 31, 1983	22.4
Oil under contract as of Feb. 1, 1983 for further delivery during fiscal year 1983	44.3
Contract purchases made to date for delivery in fiscal year 1983	66.7

[Memorandum]

THE SECRETARY OF ENERGY,
Washington D.C., February 7, 1983.

To: Assistant Secretary Vaughan.
From: The Secretary.
Subject: Strategic Petroleum Reserve.

I appreciate your having conducted a careful review, pursuant to our discussions, to determine whether the progress made in development of permanent storage and the improved management of the Strategic Petroleum Reserve woud permit a fill rate of 220,000 barrels per day (BPD) in fiscal year 1983 without use of interim storage.

Based on your memoradum to me, dated today, which expresses your confidence that a 220,000 BPD rate in fiscal year 1983 can be accommodated in permanent storage facilities without need of any interim storage I hereby request you to take such steps as reasonably may be necessary to achieve the 220,000 BPD fill rate in fiscal year 1983.

DONALD PAUL HODEL.

Senator BRADLEY. By the end of the year how much of the available money for purchase of oil in this year will you have spent?

Secretary HODEL. All but approximately $600 million I believe.

[Subsequent to the hearing the Department of Energy supplied the following:]

I am informed that the oil delivered during FY 1983 will cost an estimated $2.6 billion. Assuming that we fill at a rate of 220,000 barrels per day in FY 1983, we will have available a total of $1.9 billion remaining that would be used for advance orders for FY 1984. Depending upon the rate at which these funds are obligated, we estimate that anywhere between $0-500 million may remain unobligated at the end of this fiscal year. The exact amount will depend on a number of factors, including, but not limited to, Congressional action on the President's FY 1984 budget request and market conditions.

Senator BRADLEY. All but 600 million?

Secretary HODEL. This issue was raised earlier, Senator, by a question that was raised at my confirmation hearing by Senator Jackson about our legal authority and obligation to expend funds, the issue being whether even with a Presidential finding of national interest we are allowed to reduce to the 220,000 barrel a day rate where we have funds that would permit a purchase in excess of that.

As I testified at that time, my problem is there is a conflict between the lawyers as to which is the correct answer.

Senator BRADLEY. You are saying you would be filling throughout fiscal year 1984 at a rate of 220,000 barrels per day?

Secretary **Hodel**. We would be filling through fiscal year 1983 at 216,000 barrels per day on the present schedule,[2] and in 1984 our budget proposal would be to fill at a rate of 145,000 barrels a day which is well below the 220,000 level allowed by the Presidential determination and far below the 300,000.

Senator **Bradley**. That accounts for a drop of, according to the budget, of 68 percent in funds for the strategic petroleum reserve.

Secretary **Hodel**. Yes, and it includes the carryover in order to achieve that, a carryover of moneys from 1983 into 1984 which is yet to be determined legally whether we can proceed in that way.

Senator **Bradley**. How would you justify cutting back on the purchase of oil? Is an oil supply disruption in the Persian Gulf any less likely today than it was 2 years ago?

Secretary **Hodel**. First of all, let me say that, as I said at the beginning of my summary statement, this is a very difficult budget process that we are in. Programs throughout the whole of the Federal budget have been asked to take cuts.

Senator **Bradley**. Sixty-eight percent? What other program in the Federal budget has taken a 68-percent cut in fiscal year 1984?

Secretary **Hodel**. In analyzing the rate of fill for the strategic petroleum reserve, we looked at where we were when we began the strategic petroleum reserve, what we were expecting in the way of consumption patterns in the United States. We were anticipating that by the mideighties, we would be importing as much as 11 million barrels a day. This was in the midseventies when the SPRO began.

We know that that is not the case. We are well below the 11 million barrel per day projection; we are below a 5 million barrel a day level at the present time. We have changed the mix at which we acquire oil from OPEC nations. Mexico is now our largest supplier of imported oil. When we look at those changes, when we look at the consumption changes, when we look at the availability of private stocks and the availability of the strategic petroleum reserve, which now is at 300 million barrels, we find that we are very, very close to being able to withstand the 90-day type interruption that was anticipated in the International Energy Agency considerations on oil supply. That is not to say it is where we would prefer to put it if we had the resources to do it, but that all things considered, looking at this as an insurance policy, at the time we originally scheduled this kind of insurance policy, we thought that we would need a great deal more insurance than now would appear to be essential or necessary.

Senator **Bradley**. Are prices dropping?

Secretary **Hodel**. Prices have been dropping.

Senator **Bradley**. What effect do you think that might have on consumption?

Secretary **Hodel**. I think that may very well have an upward impact on consumption.

Senator **Bradley**. Which means we could very well be importing more at this time next year than this year which means you would need a bigger strategic petroleum reserve than the smaller one that you have advocated in the last answer.

---

[2] See p. 123.

Again, if we have learned anything over the last decade it is that oil prices and consumption patterns vary unpredictably. You have to set out an energy security policy that gives you some certainty that you can weather a storm tomorrow or the next day. We are right back where we were in the late seventies where we are going to cut back on the fill of the strategic petroleum reserve because some of the political pressure is off. There seems to be a lightening up of the price. Consumption seems to be going down. Then a war—such as the one that in the last year has taken 150,000 lives, the war between Iran and Iraq—could spread over you an oil supply disruption. You would be up here. There would be crisis. There would be television cameras all over this room, and we would be asking the question: Why didn't you fill the strategic petroleum reserve? Why don't we have more in there? Why don't we avoid that drama and implement a policy that has been clearly stated by the Congress that you should fill the strategic petroleum reserve as close to 300,000 barrels a day as you possibly can? And if prices drop, that's a bonus. That is not a reason to cut back. You could fill more, unless you believe that there is no probability of another oil supply disruption.

Secretary **Hodel**. I certainly don't believe that there is no possibility of that happening.

Senator **Bradley**. Then I don't see how you can justify it.

Secretary **Hodel**. When we look at these numbers, if we fill at 220,000 barrels a day through 1984 as distinguished from 145,000 barrels a day through 1984, the difference in amount of petroleum in the strategic petroleum reserve at the end of the year would be 28 million barrels. Now that is a lot of oil on the one hand absolutely speaking; but in terms of the number of days of protection it provides us against different levels of assumed interruptions, it is not an enormously great difference, and it would seem——

Senator **Bradley**. So you are saying that there is sufficient storage now? Do we have sufficient oil?

Secretary **Hodel**. If we thought there was sufficient storage now, Senator, I would be here no doubt attempting to defend a no fill rate. Obviously, we still believe that we should move toward a 750 million barrel strategic petroleum reserve.

Senator **Bradley**. Except we are going to get there about 5 years later at this fill rate.

Secretary **Hodel**. I really can't tell you whether it would be 5 years later. It would be later obviously, but we would reach the 500 million barrel level about 1 year later.

Senator **Bradley**. The point is you are suggesting that, or the chairman was suggesting or exploring with you the possibility of, taking Elk Hills' oil and I guess swapping so that you could get some into the strategic petroleum reserve. Wouldn't that affect our surge capacity?

Secretary **Hodel**. I don't know that it would.

Senator **Bradley**. If you swap the oil, you would be taking the Elk Hills' oil that you could use in a crisis and essentially allocating it to the strategic petroleum reserve?

Secretary **Hodel**. My understanding is that our surge capacity is greater from SPRO than it is from operating wells so that it would affect our surge capacity upward. It would give us greater surge capacity, presumably, if we did what the chairman was suggesting we consider.

Senator Bradley. I think that you ought to check the numbers again as to how much money you actually have to spend. Even taking your numbers, you are not spending $600 million that you have available to spend. Why aren't you doing that?

Secretary Hodel. For budgetary reasons; our overall position here is budgetary driven, and it is the attempt to make the budget priority judgments based on evaluating the circumstances today as we see it. As we see it today, as we look at the consumption pattern in the country and the production, the OPEC production figures have shifted dramatically from what they were when we first got into the strategic petroleum reserve; and we look at this and see that we would, under this proposal, be 28 million barrels less, so instead of 438 million barrels, we would have 410 million barrels at the end of fiscal year 1984.

Senator Bradley. Well, you know, it seems to me that you have the money and you have the storage capacity and you are choosing not to fill it for what you say are budgetary reasons, and the purpose of the Reserve is to cushion us against an oil supply disruption. You are cutting back on putting oil in a reserve. You are spending much more on a rapid deployment force to get a defense contingent into the Persian Gulf to protect the oil.

Now how do you rationalize those two?

Secretary Hodel. Senator, if you look at the interruption of oil from say the Persian Gulf, it is a much smaller percentage now than it has been for years.

Senator Bradley. Then so you are saying it is not as great a strategic interest to us as it was before?

Secretary Hodel. I think that is correct in regard to our dependence on Persian Gulf oil supplies.

Senator Bradley. Why are we spending so much on rapid deployment to get it over there?

Secretary Hodel. I'm sorry. I am not in a position to testify effectively on the rapid deployment force.

Senator Bradley. OK. Let me ask one last question just for the record so the committee knows clearly—what would be the average fill rate in 1983, fiscal year 1983, if you delivered all the oil already purchased for delivery in fiscal year 1983 and used all the funds available to you in fiscal year 1983 to purchase and deliver oil in fiscal year 1983?

Secretary Hodel. It would be 133—it would approach 350,000 barrels a day.

Senator Bradley. One hundred what?

Secretary Hodel. It would approach 350,000 barrels a day.

Senator Bradley. Three hundred and fifty thousand barrels a day?

Secretary Hodel. Yes.

Senator Bradley. OK, and you have stated earlier that you are choosing to fill in fiscal year 1983 at 216,000 barrels a day?

Secretary Hodel. That is correct.[3]

---

[3] See p. 123.

Senator Bradley. So that you have a potential of what, about 130,000 that you are not filling?

Secretary Hodel. As we have previously, I am sure, discussed with the committee, although I wasn't the spokesman at that time, there are 55 million barrels which will be on order at the end of this fiscal year for delivery in fiscal year 1984, so we have an ongoing and steady flow. If we poured that all into 1983, we would have a hiatus in 1984 during which we would have no oil to put in. In answer to your question, if we spent all the money this year and had it delivered this year, it would be a total of 133 million barrels that would be added to the strategic petroleum reserve as distinguished from the 78.8 million barrels which we are proposing to add at 216,000 barrels a day.

Senator Bradley. I would urge you to try to rethink that. This committee in a bipartisan way has over the last 2 years been fairly strong on what the reserve should be filled at, and also in the Carter administration it was equally strong in a bipartisan way, and I hope that you will reconsider.

Secretary Hodel. Mr. Chairman, if I could respond further to that, I think it is important that we at least indicate in further dialogue with the committee that we will be able to discuss the strategic considerations if you will for a strategic petroleum reserve.

I think the national perception at the time it was created was that we were very heavily dependent at that time on imports, that we were in great dependency, and that the largest portion of those imports came from the highly volatile Middle East.

Today that situation has changed markedly in fact and in reality today with the kind of additional oil supply available in the world, because of the current softening of the market not just in the United States, the potential for an embargo, which I think helped precipitate the initial thrust for the strategic petroleum reserve, is far less today.

Senator Bradley. Could you give any evidence of that? Why is the potential for embargo far less, or disruption?

Secretary Hodel. Embargo—let me start with an embargo. The embargo is far less because any of the nations that are presently engaged in disputes over how much oil they will produce and at what price they will sell it is in a position where they need to continue to supply oil in order to keep generating cash flow for the country; so I think the incentives are quite different and the opportunity for an interruption can certainly continue, but what is the magnitude? Saudi Arabia was our largest supplier. They are now not our largest supplier.

Senator Bradley. You basically make the case that our energy security needs have lessened, and I basically disagree about that.

The Chairman. Thank you, Senator Bradley. As you know, Mr. Secretary, that is a matter that we will continue to express interest in and I look forward to that continuing dialog.

I think you are correct certainly in saying that the situation has changed dramatically over the last year. Our concern would be whether or not it can change just as dramatically in the opposite direction in less time than the planning time and in time to cope with that change over the next year, but we will be continuing that dialog.

I might just note for the record that my reading of the law, and I don't think there is any ambiguity in the law, is that you must fill at 220,000 barrels a day during 1983, and 216,000 barrels a day is a violation of the law. There will be a dialog with you on that as well, and I would suggest that it doesn't make much sense to expose yourself to the charges of violation of the law for 4,000 barrels a day.

Senator JOHNSTON. Isn't the law unequivocally clear, certainly our intent, that to the extent you have more money than necessary for 220,000 barrels a day, you must purchase that oil?

The Chairman. That is correct.

Senator JOHNSTON. And I think DOE lawyers are right on that, too.

[Subsequently the following letter was transmitted by Secretary Hodel to Senator Jackson:]

THE SECRETARY OF ENERGY
WASHINGTON D.C. 20585

March 8, 1983

The Honorable Henry M. Jackson
Committee on Energy and Natural Resources
United States Senate
137 RSOB
Washington, D.C. 20510

Dear Senator Jackson:

Pursuant to your request, I enclose a copy of the opinion of the General Counsel of the Department of Energy, dated today, concerning the minimum required fill rate for the Strategic Petroleum Reserve (SPR) in FY 1983, assuming the availability of funds from the FY 1983 appropriations or continuing resolution plus carryover funds from FY 1982. I am informed that Counsel to the Director of the Office of Management and Budget has had extensive discussions with DOE General Counsel on this subject, but that they have not been able to agree upon the proper interpretation of applicable law and legislative history.

The opinion of the DOE General Counsel raises the issue of whether a SPR fill at the "highest practicable rate" necessarily requires complete utilization of all "available" appropriations, including carryovers from 1982, so as to maximize the rate of fill in FY 1983. That issue is quite important because it presently appears highly likely that world oil prices will continue to decline, perhaps substantially, during the next several months. As a consequence, current oil purchases substantially in excess of an annual average fill rate of 220,000 barrels per day needlessly could increase the cost of the SPR. I have raised this complex matter in a letter to Mr. Frederick N. Khedouri and enclose a copy thereof for your information.

I should like to discuss this matter with you later this week, if your schedule permits. My staff has been instructed to contact yours to set up an appropriate meeting.

Sincerely yours,

Donald Paul Hodel
DONALD PAUL HODEL

Enclosures

cc: The Honorable James A. McClure
The Honorable J. Bennett Johnston

THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

March 8, 1983

Mr. Frederick N. Khedouri
Associate Director for Natural
 Resources, Energy and Science
Office of Management and Budget
Room 260 - Old Executive Office Building
Washington, D.C. 20503

Dear Mr. Khedouri:

Enclosed is a copy of the opinion of the General Counsel of the Department of Energy, dated today, which was requested by me as a result of questions from Senator Jackson concerning the minimum required fill rate for the Strategic Petroleum Reserve (SPR) in FY 1983, assuming the availability of funds from the FY 1983 appropriation or continuing resolution plus carryover funds from FY 1982. In the opinion of the General Counsel, "the minimum required fill rate for the SPR in fiscal year 1983 is the highest practicable rate which can be achieved utilizing all available appropriations, * * * even if the resulting fiscal year 1983 rate exceeds 220,000 barrels per day (b/d)."

I am informed that the Counsel and the Deputy General Counsel to the Director of the Office of Management and Budget have had extensive discussions with the DOE General Counsel on this subject, but that they have not been able to agree upon the proper interpretation of applicable law and legislative history. Although the opinion of the DOE General Counsel acknowledges that, in certain respects, there is ambiguity in the Energy Emergency Preparedness Act (EEPA), his above-quoted conclusion is clear: in his opinion, the statutory references to a minimum fill rate of 220,000 barrels per day, even when coupled with the President's statutory finding that it is not in the national interest to fill at the rate of 300,000 barrels per day, will not permit the Department to fill at the 220,000 barrels per day rate in FY 1983 if a higher practicable rate can be achieved by utilization of available appropriations, including carryover funds from FY 1982. Notwithstanding such merit as there may be to the contrary conclusion of the Counsel to the Director, I am obliged to forward the opinion of the DOE General Counsel to Senator Jackson and to the Chairman and Ranking Member of the Senate Committee on Energy and Natural Resources.

I also am mindful of the portions of the subject opinion which state that it is "open to the President to make a reasonable judgment as to what the 'highest practicable' fill rate is," that "the President properly may take into account any programmatic requirements which are not compatible with maximizing SPR fill in a given fiscal year," and that in some circumstances compliance with the objectives of Section 160(b) of the Energy Policy and Conservation Act (which include the "minimization of the cost of the Reserve") "may be inconsistent with filling the SPR at a rate that would exhaust available appropriations by the end of the fiscal year."

In these circumstances, my understanding of the opinion of the DOE General Counsel is that the Administration is required to make a conscientious effort to utilize all "available" appropriations, including carryovers from FY 1982, so as to maximize the rate of fill in FY 1983, while, at the same time, not disregarding the other statutory and programmatic requirements of the SPR which bear upon determining the "highest practicable" fill rate.

The opinion of the DOE General Counsel indicates it would be appropriate to use some of such available funds for advance purchases of oil in FY 1983 to cover six months of deliveries in FY 1984. At current oil price estimates of the Administration, it appears that, after taking into account such advance purchases and the cost of interim storage, appropriations available to the Department would permit an average fill rate in FY 1983 of approximately 255,000 barrels per day. At the same time, it appears highly likely that world oil prices will continue to decline, perhaps substantially, during the next several months. To my way of thinking, "practicability" - - however one wishes to define the term - - should be read in a manner which does not compel current oil purchases at prices which needlessly increase the cost of the SPR.

The circumstances well may warrant deferral, but, if feasible, I would like to avoid resolution of the complex issues involved in this matter by that means. It is my intention, therefore, promptly to initiate appropriate discussion of this matter with the Congress.

If agreement as to a permissible course of Departmental action under applicable law cannot be reached, I shall advise you promptly.

Sincerely yours,

Donald Paul Hodel

DONALD PAUL HODEL

Enclosure

Department of Energy
Washington, D.C. 20585

March 8, 1983

MEMORANDUM FOR The Secretary

FROM: General Counsel

SUBJECT: Minimum Required Rate of Fill of the Strategic Petroleum Reserve (SPR)

You requested our opinion in response to the following two questions from Senator Jackson, both of which are based on the assumption that in fiscal year 1983 "there are sufficient funds available from FY 1983 appropriations or a continuing resolution plus the carryovers from FY 1982 (over $2 billion) such that the Department of Energy (DOE) could afford an average fill rate in excess of 220,000 b/d in FY 1983":

> "1. Doesn't Sec. 160(c)(1)(D) of EPCA, as amended by EEPA, require an SPR fill rate at the highest practicable rate achievable, subject to the availability of appropriated funds, notwithstanding the President's finding transmitted on December 1, 1982?"
>
> "2. Is the minimum required fill rate necessarily 220,000 b/d in that situation?"

In our opinion, the minimum required fill rate for the SPR in fiscal year 1983 is the highest practicable rate which can be achieved utilizing all available appropriations, after allowing for a carry-forward into fiscal year 1984 of funds to sustain purchases for the first six months of fiscal year 1984, even if the resulting fiscal year 1983 rate exceeds 220,000 barrels per day (b/d). Therefore, we believe the first question should be answered positively and the second negatively.

These issues involve the complex interplay of three statutory provisions: §160(c)(1) of the Energy Policy and Conservation Act (EPCA), Pub. L. 94-163, 42 U.S.C. §6234(c)(1), which recently was added by the Energy Emergency Preparedness Act (EEPA), Pub. L. 97-229; §167(b) of the EPCA, 42 U.S.C. §6247(b), which was added by the Omnibus Budget Reconciliation Act, Pub. L. 97-35; and the SPR petroleum appropriation contained in the Department of the Interior and Related Agencies Appropriations Act for fiscal year

1983, Pub. L. 97-394. The key provision, EPCA §160(c)(1), is flawed, ambiguous, and consequently subject to differing interpretations. We offer what we believe is the most plausible interpretation of the intent of the Congress.

In the discussion which follows we first set out the essential historical background of the fill requirements for the SPR and the legislative history of the minimum fill provisions imposed by the EEPA, and then provide our analysis of the issues raised by Senator Jackson's questions.

Historical Background

In §154(c)(1) of the EPCA, 42 U.S.C. §6234(c)(1), enacted in December 1975, the Congress adopted a schedule for fill of the SPR which was to be included in the SPR Plan and to be followed, "to the maximum extent possible and except to the extent that any change in the storage schedule is justified pursuant to subsection (e)(6)...." Subsection (e)(6) provides that the SPR Plan is to contain, "a justification for any changes, with respect to volumes or dates, proposed in the storage schedule...." The schedule set out in §154(c)(1) is expressed in terms of the periods of time within which the Government is to store amounts of crude oil equal to specified percentages of the crude oil imported during a base period, which was the three consecutive months during the 24 months preceding enactment of the EPCA in which average monthly imports were the highest.

The Federal Energy Administration, a predecessor agency to DOE, calculated that §154(c)(1) required fill to be accomplished on the following schedule:

Date	Million Barrels (MMB)
June 22, 1977	50
Dec. 22, 1978	150
Dec. 22, 1980	325
Dec. 22, 1982	500

Because the initial 1977 target had proved impossible to meet, the original SPR Plan transmitted to Congress in February 1977 by the Carter Administration dropped that requirement; the other three statutorily derived fill targets were incorporated into the Plan without change.

In Amendment No. 1 to the SPR Plan, submitted to the Congress in May 1977, the Carter Administration accelerated the SPR Plan's fill schedule as follows:

Date	MMB
June 22, 1978	250
Dec. 22, 1980	500

And in Amendment No. 2, transmitted to the Congress one year later, the Carter Administration further amended the SPR Plan to provide for storage by the end of 1985 of the full one billion barrels of crude oil authorized by the EPCA; the amendment detailed plans for the storage of 750 MMB of this billion, and said that with respect to the last 250 MMB, decisions had not yet been made about the type of storage facilities to be used or the extent of industry involvement (i.e., whether to mandate industry storage).

The fill schedule contained in the SPR Plan has not been further amended. Of course, the §154(c)(1) schedule does not impose any specific fill requirement by fiscal or calendar year.

In June 1980 the Congress enacted the Energy Security Act, Pub. L. 96-294, which added to §160 of the EPCA a new subsection (c) directing the President to assure that SPR fill was increased to an average rate of at least 100,000 b/d in each fiscal year commencing with fiscal year 1981; it further added a new subsection (d) effectively compelling a shut-in of Naval Petroleum Reserve No. 1 at Elk Hills, California, if this fill rate was not achieved.

In December of 1981 the Congress added to the 1981 Department of the Interior and Related Agencies Appropriations Act, Pub. L. 96-514, a requirement that the President "seek to" undertake SPR fill activities "at a level sufficient to assure" that crude storage is increased at an average annual rate of at least 300,000 b/d "or a sustained average annual daily rate of fill which would fully utilize appropriated funds."

Congress reenacted essentially the same 300,000 b/d "seek to" requirement in August 1981 in the Omnibus Budget Reconciliation Act, as an amendment to EPCA §160(c), but omitting the reference to a sustained average "which would fully utilize appropriated funds." The 300,000 b/d "seek to" requirement was made applicable until 750 MMB were in storage.

The Omnibus Budget Reconciliation Act also created the EPCA's §167 off-budget account for SPR oil purchases. Section 167(b) of the EPCA provides:

> (b) Amounts in the [SPR Petroleum] Account may be obligated by the Secretary of Energy for the acquisition, transportation, and injection of petroleum products into the Strategic Petroleum Reserve, and the drawdown and delivery of petroleum products from the Reserve--
>
> (1) in the case of fiscal year 1982, in an aggregate amount, not to exceed $3,900,000,000, as may be provided in advance in appropriation Acts;

> (2) in the case of any fiscal year after fiscal year 1982, subject to section 660 of the Department of Energy Organization Act,*/ in such aggregate amounts as may be appropriated in advance in appropriation Acts; and
>
> (3) in the case of any fiscal year, notwithstanding section 660 of the Department of Energy Organization Act, in an aggregate amount equal to the aggregate amount of the receipts to the United States from the sale of petroleum products in any drawdown and distribution of the Strategic Petroleum Reserve under section 161.
>
> Funds available to the Secretary of Energy for obligation under this subsection may remain available without fiscal year limitation.

On August 3, 1982, the EEPA was enacted. Among other things it superseded the Budget Reconciliation Act's 300,000 b/d "seek to" requirement by a new fill mandate. This was set forth as an amendment of §160(c) of the EPCA reading as follows:

> (c)(1)(A) The President shall immediately undertake, and thereafter continue, petroleum products acquisition, transportation, and injection activities, to the extent funds are available pursuant to section 167(b)(2) and (b)(3), at a level sufficient to assure that the petroleum products in the Strategic Petroleum Reserve will be increased at an average annual rate of at least the minimum required fill rate until the quantity of petroleum products stored within the Strategic Petroleum Reserve is at least 500,000,000 barrels.
>
> (B) Subject to subparagraph (C), the minimum required fill rate shall be 300,000 barrels per day for purposes of subparagraph (A), unless there is in effect a finding by the President in his discretion for good cause that compliance with such rate would not be in the national interest. Any finding by the President under this subparagraph takes effect on the date such finding is transmitted to the Congress and ceases to have effect at the end of the fiscal year

---

*/ Section 660 of the Department of Energy Organization Act provides that "[A]ppropriations to carry out the provisions of this Act shall be subject to annual authorization."

in which such finding was made. Any such finding transmitted to the Congress shall include a statement of the facts upon which the finding is based. Any such finding shall not be subject to judicial review.

(C) The minimum required fill rate shall be 220,000 barrels per day for purposes of subparagraph (A) during the period in which any finding by the President under subparagraph (B) is in effect.

(D)(i) If funds are available in any given fiscal year after fiscal year 1982 to achieve an average annual fill rate higher than the minimum required fill rate in effect under subparagraph (C), the minimum required fill rate shall be the highest practicable fill rate achievable, subject to the availability of appropriated funds.

(ii) The Impoundment Control Act of 1974 (31 U.S.C. 1400 and following) shall apply to funds made available under section 167(b) and (e).

(2) After the Strategic Petroleum Reserve reaches a level of 500,000,000 barrels, the President shall immediately seek to undertake, and thereafter continue, petroleum products acquisition, transportation, and injection activities at a level sufficient to assure that the petroleum products in the Strategic Petroleum Reserve will be increased at an average annual rate of at least 300,000 barrels per day until the quantity of petroleum products stored within the Strategic Petroleum Reserve is at least 750,000,000 barrels.

Legislative History of the EEPA

The bill reported by the Senate Committee on Energy and Natural Resources and passed by the Senate, S. 2332, would have amended EPCA §160(c) to direct the President, subject to the availability of funding "pursuant to section 167(b)(2)" of the EPCA, to increase SPR fill at an average annual rate of at least 300,000 b/d until 500 MMB was in storage. Section 167(b)(2), quoted above, limits the obligation of funds from the off-budget SPR Petroleum Account "in the case of any fiscal year after fiscal year 1982" to "such aggregate amounts as may be appropriated in advance in appropriations acts." The "pursuant to section 167(b)(2)" language had not appeared in the bill considered by the Committee or in any proposed amendment thereto; it first appeared with publication of S. Rep. 97-393. In the floor debate, Committee Chairman McClure described the 300,000 b/d mandate simply as being "subject to available appropriations", without noting that the bill referred specifically only to appropriations available pursuant to §167(b)(2).*/

The bill reported by the House Committee on Energy and Commerce, H.R. 6337, in its proposed amendment to EPCA §160(c), required an average annual fill rate of at least 200,000 b/d (and a rate of 300,000 b/d when the President considered this "fiscally prudent"), until storage reached the 500 MMB level. No reference was made to available appropriations. The Committee Report took note of the fact that previous "seek to" language had not had the effect desired by Congress; the new "fiscally prudent" language was characterized as an attempt to set a "specific standard" as opposed to the former "general terms"; the "seek to" requirement was reaffirmed "as a goal", and as the "expressed goal and resolve of Congress that DOE achieve" the 300,000 b/d rate. H.R. Rep. 97-585 at 6-7. During House passage Subcommittee Chairman Sharp, floor leader for the bill, stated that the bill continues the requirement that the Administration "seek to" fill at 300,000 b/d. 128 Cong. Rec. H.3860 (June 23, 1982).

The bill reported by the conferees, which was enacted into law, is substantially different from both the Senate and House bills. The Conference Report advised as follows with respect to the fill rate:

> Section 4(a) amends section 160(c)(1) of EPCA to require the President to fill the SPR at an average annual rate of at least the minimum required fill rate until 500 million barrels are in storage. The minimum required fill rate will be determined in one of three ways.
>
> Subparagraph (B) establishes the minimum required fill rate of 300,000 barrels per day. Under this subparagraph, the President may make a finding that compliance with the 300,000 barrel per day rate would not be in the national interest for good cause. For instance, the President may find that:
>
> (i) compliance with such rate significantly impairs the ability of the United States to respond to a severe energy supply interruption;

---

*/ Because §167(b)(2) refers only to fiscal years after fiscal year 1982, as distinguished from §167(b)(1), which refers only to fiscal year 1982, it may be argued that by this distinction the Congress intended that fill rates after fiscal year 1982 be calculated only on the basis of appropriations made for fiscal year 1983 and succeeding years, without regard for unexpended balances or advance-funded deliveries carried over from fiscal year 1982. We explain below why we believe this would not be a valid reading of §160(c).

> (ii) compliance significantly impairs the ability of the United States to meet its obligations under the international energy program; or
>
> (iii) compliance is inappropriate due to economic conditions affecting the general welfare.
>
> If he makes such a finding and transmits it to Congress, accompanied by a statement of the facts upon which the finding is based, the minimum required fill rate shall be 220,000 barrels per day, as required by subparagraph (C).
>
> Subparagraph (D) establishes the minimum required fill rate that would be in effect where funds are available in any given fiscal year after fiscal year 1982 to achieve an average annual fill rate higher than the minimum required fill rate in effect under subparagraph (C). In such cases, the minimum required fill rate shall be the highest practicable fill rate achievable subject to the availability of appropriated funds.
>
> Appropriation Acts will necessarily govern the availability of funds. The purpose of subparagraph (D) is to express the policy that the President shall fill the SPR at the highest practicable fill rate achievable subject to the availability of funds. (H.R. Rep. 97-663 at 12)

During House floor action on the Conference Report, Chairman Sharp described the bill as requiring that, after a Presidential finding not to fill at the 300,000 b/d level, the SPR be filled at a rate of at least 220,000 b/d "unless funds available through the appropriations process make it practicable to achieve a higher fill rate." 128 Cong. Rec. H.4921 (July 30, 1982).

The statement of Chairman McClure, inserted into the record by Senator Warner, said that after the Presidential finding, "the minimum required fill rate would be either 220,000 barrels per day, or, if funds are available to achieve a higher rate, the highest practicable fill rate achievable with available funds." Senator McClure's statement later reiterated this (as did Senator Warner in his own statement), adding, "Thus, appropriations acts will necessarily govern the availability of funds." 128 Cong. Rec. S. 9481, 9485, 9486 (July 30, 1982).

Senator Jackson, ranking Minority Member of the Senate Energy and Natural Resources Committee, had a somewhat more particularized understanding of what the bill's fill provisions meant. Referring to what he described as a new §160(c)(1)(D)(i) requirement to fill at the highest practicable rate "given available funds", he said:

The intent of the Congress on this point cannot be overemphasized. The use of the terms "If funds are available..." and "subject to the availability of appropriated funds" are intended in this provision to refer to any funds available to the SPR after fiscal year 1982, including fiscal year 1982 carryovers. This provision is the mechanism by which the Congress requires the President to spend any funds that are available to him in a given fiscal year to fill the SPR at the highest practicable average rate in that fiscal year.

* * * *

The mandate to fill at a minimum of 300,000 (or 220,000) barrels per day as the case may be, and the mandate to fill at the highest practicable fill rate are intended to be regarded as program objectives for the strategic petroleum reserve program. The intention is that if the President has available the necessary funds to achieve a mandated fill rate, then he must comply with that mandate or seek and obtain a deferral or rescission of the available funds under section 1012 or 1013 of the Impoundment Control Act. The only exception is if the President obtains suspension of the mandates through section 160(e) of EPCA.[*]

* * * *

The Presidential finding that reduces the mandated minimum fill rate from 300,000 barrels per day to 220,000 barrels per day is subordinate to the requirement to fill at the highest practicable rate. Even though the President makes such a finding, he is still required to fill at the highest practicable rate. This is not a contradiction because there is another provision in section 160(e) of EPCA in existing law which enables the President to seek a suspension of the requirements in section 160(c) including the requirement to fill the SPR at the highest practicable rate. In that case, the Congress must enact a two-House resolution approving the suspension of the requirement. If the President is not willing to afford Congress the opportunity for its review and disapproval, then the requirement to fill at the highest practicable rate remains.

Another important point to note is the meaning of the term "practicable" in section 160(a)(1)(D)(i). The intention here is that the term "practicable" means what we normally think that word means--feasible.

---

[*] This suspension provision applies if the President has found that compliance impairs U.S. ability to respond to a severe energy supply interruption or to meet U.S. obligations under the Agreement on an International Energy Program.

> Therefore, the SPR must be filled in a given fiscal year at the highest feasible rate averaged over that fiscal year given available funds from whatever source. (128 Cong. Rec. at S. 9488)

Presidential Finding

On December 1, 1982, the President, pursuant to EPCA §160(c)(1)(B) as amended by EEPA §4(a), transmitted to the Congress his finding that it would not be in the national interest to fill the SPR at the rate of 300,000 b/d during fiscal year 1983.

Discussion of Issues

Section 160(c)(1)(D) of the EPCA, as amended by the EEPA, provides that if available appropriations permit achievement of an average annual SPR fill rate higher than 220,000 b/d, the minimum required fill rate for that fiscal year shall be the highest practicable rate which can be achieved, utilizing those funds. In determining whether an average annual fill rate in excess of 220,000 b/d is achievable in fiscal year 1983, the basic question is what funds are "available" for this purpose. More precisely, did the Congress intend that in fiscal year 1983 only funds appropriated for that year were to be "available" for calculating the fill rate? Or did it intend that funds or funding authority carried over from fiscal year 1982 were to be included in the calculation? If so, what funds or funding authority carried over from fiscal year 1982 are to be included - only funds unobligated by DOE at the end of fiscal year 1982? Or, in addition, funds obligated by DOE by transfer to the SPR procurement in the Department of Defense but not yet placed in purchase contracts by the end of fiscal year 1982? Or, in addition, funds paid in advance in fiscal year 1982 for oil to be delivered in fiscal year 1983?

For the reasons to be set forth, it is our opinion that the Congress intended to be included in the calculation of the achievable fill rate in fiscal year 1983 all the funding authority that can practicably result in delivery of oil to the SPR in fiscal year 1983, except for funds to buy oil for delivery in the first six months of fiscal year 1984 at the lowest required rate (220,000 b/d).

In answering the question what funds are "available" for determining the fill rate in fiscal year 1983, we must look first to the words of the statute. Section 160(c)(1)(D) is one of four subparagraphs, the first of which, §160(c)(1)(A), authorizes and directs the President to fill the SPR "at an average annual rate of at least the minimum required fill rate" until 500,000,000 barrels of oil are stored in the SPR.*/ The subsequent three subparagraphs each define the "minimum required fill rate" under different circumstances. Subparagraph (B) says it is 300,000 b/d "for purposes of subparagraph (A)" in the absence of a Presidential finding that such a rate would not be in the national interest. Subparagraph (C) says it is 220,000 b/d "for purposes of subparagraph (A)" during any period such a Presidential finding is in effect. Subparagraph (D) says it is the "highest practicable fill rate achievable" if funds are available in any fiscal year after fiscal year 1982 to achieve a rate higher than 220,000 b/d.

However, subparagraph (D) does not contain the words "for purposes of subparagraph A" as subparagraphs (B) and (C) do, and we must ask whether by this omission the Congress intended a different interpretation to be given to (D) than to (B) or (C), for purposes of identifying what funds are available for determining the fill rate. That interpretation would be that the availability of funds under subparagraph (D) is not subject to whatever limitation on availability is imposed by subparagraphs (B) or (C) but rather is governed only by the more general limitation, stated in (D), of being "subject to the availability of appropriated funds." Subparagraph (A), which imposes the requirement to fill the SPR at the minimum required fill rate, does so only "to the extent funds are available pursuant to section 167(b)(2) and (b)(3)." As indicated above, §167(b)(2), in authorizing the off-budget SPR account, authorizes the Secretary of Energy to obligate funds for filling the SPR "in the case of any fiscal year after fiscal year 1982...in such aggregate amounts as may be appropriated in advance in appropriations Acts."**/

The use of the plural - "appropriations Acts" - at least strongly suggests that the Congress did not intend that in 1983 only the funds appropriated in the appropriations Act (singular) for fiscal year 1983 were to be available for calculating the fill rate for that year. Rather, it at least strongly suggests that as in fiscal years later than 1983, funds appropriated in advance in prior years' appropriations Acts, e.g., that for fiscal year 1982, were also to be available for this purpose. This view is supported by the fact that Congress made all funds under §167, including the $3.9 billion in the case of fiscal year 1982, available for obligation "without fiscal year limitation."

Thus, we believe that either way §160(c)(1)(D) is read - whether it is subject to funds available under §167(b)(2) or whether it is subject only to funds made available under any appropriation for this purpose - the result in practical terms is the same: in fiscal year 1983, the fill rate calculation is to include funds available from prior years' appropriations Acts, i.e., specifically the appropriations Act for fiscal year 1982.

---

*/ As of March 7, 1983, 307,700,000 barrels have been stored in in the SPR.

**/ Section 167(b)(3) provides authority for restoring the SPR after a drawdown and is irrelevant to this discussion.

The legislative history of EEPA's amendment of EPCA's §160(c) clearly indicates that the amendment was a compromise between a 200,000 b/d House of Representatives fill rate requirement and a 300,000 b/d Senate requirement and further that the actual fill rate was to be determined in the appropriations process. The Chairmen of the relevant authorizing Committees of the House and Senate (quoted above at page 7) both emphasized, in explaining the Conference Report, that as stated in the Conference Report itself, "Appropriations Acts will necessarily govern the availability of funds." H.R. Rep. No. 97-663, 97th Cong. 2d Sess. 12 (1982) We find that in the appropriations process, both Houses of Congress acted on the assumption that funds available from fiscal year 1982 would be used in calculating the fill rate in fiscal year 1983, as well as funds appropriated just for that year. This is significant, for it reflects a contemporaneous construction of the statute by the same Congress - and many of the same Senators in particular - that enacted it.

The Department of the Interior and Related Agencies Appropriations Act for fiscal year 1983 provides:

> The aggregate amount that may be obligated under section 167 of the Energy Policy and Conservation Act (Public Law 94-163), as amended by the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35), for the acquisition and transportation of petroleum, and for other necessary expenses is $2,074,060,000, in addition to authority provided for fiscal year 1982, to remain available until expended. (Emphasis added)

This language was proposed by the Administration and was adopted without change by both Houses of Congress. The phrase "in addition to authority provided for fiscal year 1982" was not inadvertent. Indeed, it was essential. If it had not been inserted, the amount that could be obligated under the remaining language would have been limited to $2,074,060,000. Any funds remaining unobligated from 1982 would thereby have become unavailable for obligation after 1982, even though they were originally appropriated to remain available until expended.

In reporting H.R. 7356, which became the fiscal year 1983 Interior Department appropriations act, the House Appropriations Committee indicated its belief that "a fill rate of at least 220,000 barrels per day is possible within the budget request because of lower than expected oil prices." H.R. Rep. 97-942 at 106. Clearly, there was no expectation that this could be accomplished exclusively with fiscal year 1983 appropriations, without using funds carried over from 1982.*/ And the Senate contemplated a fill rate entailing even greater reliance upon carry-over funding in 1983. In its Explanatory Statement of Recommendations (made in lieu of a report), the Senate Appropriations Committee noted that the SPR petroleum funds appropriated by H.R. 7356, when combined with funds carried over from fiscal year 1982, "would enable the President to achieve a rate of fill for the SPR in fiscal year 1983 that is significantly higher than 220,000 barrels per day"; it opined that the EEPA "establishes this 'achievable' fill rate as the required minimum fill rate." The Committee further stated that:

> In light of questions of national defense as well as the currently soft oil market and the requirements of section 160(c)(1)(D) of the Energy Policy and Conservation Act, the Committee cannot be satisfied to maintain the minimum fill of 220,000 barrels per day. Accordingly, the Department is directed to take the steps necessary to purchase additional petroleum in order to take advantage of favorable market conditions and to provide interim storage facilities, if necessary, for such additional purchases. (128 Cong. Rec. S. 14277, 14299 (December 9, 1982))

Nowhere in the appropriations process does one find even a hint that the SPR's fiscal year 1983 minimum required fill rate should be calculated in disregard of ongoing deliveries and actual cumulative funding levels, on the basis of some artificial formula.

The next question is precisely what funds from fiscal year 1982 are available for the calculation. At the end of fiscal year 1982 $2,403,000,000 of oil acquisition funds were uncosted, consisting of $307,000,000 unobligated by DOE and $2,096,000,000, which had been obligated either by transfer to the Department's SPR purchasing agent, the Defense Fuel Supply Center (DFSC), but not yet committed to contracts for delivery of oil or directly to oil supply contracts, such as DOE agreements with PEMEX, for oil to be delivered in fiscal year 1983. In our opinion, all these funds are "available" for making the fill rate calculation. Obviously, the fill rate of 220,000 b/d is calculated taking into account deliveries made in fiscal year 1983 even if funded in advance in fiscal year 1982. There is equally no reason to exclude funds remaining to be committed to contracts for delivery in fiscal year 1983, even though technically they are obligated by the Department of Energy when transferred to DFSC.*/ To consider only fiscal year funds remaining unobligated at the Department of Energy as available for the calculation of fill rate would be to create an artificial calculation, divorced from all reality, and nowhere hinted at in the legislative history.

---

* In fact, the appropriation for fiscal year 1983, $2,074,060,000, would not permit this fill rate, together with a continuation of it for six months in fiscal year 1983, as contemplated by the House Appropriations Committee, unless carryover funds from fiscal year 1982 were considered available for the calculation of the fill rate.

Congress enacted the EEPA with knowledge that oil was being contracted for in one fiscal year for delivery in the next, and that all unexpended fiscal year 1982 appropriations would be carried over to fiscal year 1983; it assumed that those unexpended appropriations would be used. Congress passed the Interior Appropriations Act with the additional knowledge that much oil to be delivered in fiscal year 1983 had been paid for in 1982. By its appropriation the Congress reaffirmed its intention that the previously enacted appropriations be available for use in fiscal year 1983. The pledge of SPR funds to DFSC, while legally sufficient for their obligation, is merely an understanding between two government agencies, one step removed from the actual procurement and storage of oil. Congress was, of course, concerned about the procurement and storage of oil when it passed the EEPA and the Interior appropriations act.

To treat funds obligated by DOE to DFSC as though they were unavailable to achieve the Congressional intent of maximizing the SPR's fill rate simply would exhalt form (the niceties of the law governing obligation of funds between two agencies within the Executive branch) over substance (the Congressionally imposed requirement that appropriations be used to purchase and store oil). There is absolutely nothing in the legislative history of either law which lends any support to so artificial and unrealistic a calculation.

We believe that under the law, the minimum required fill rate for the SPR in fiscal year 1983 is the highest rate, up to a ceiling of 300,000 b/d, which it is practicable to achieve utilizing all available obligated or unobligated appropriations that can result in deliveries during 1983, but allowing, as we shall see, for purchases for delivery during the first six months of fiscal year 1984. This total amount will vary, of course, as oil prices fluctuate.

It remains to consider, however, what is or is not "practicable", within the sense of the law. The EPCA's §160(c)(1)(D)(i) requirement for SPR fill at "the highest practicable fill rate achievable" was adopted by the EEPA conferees, who provided little guidance as to its meaning. The statute therefore leaves it open to the President to make a reasonable judgment as to what the "highest practicable" fill rate is. In doing so he is not limited to considering how much oil DOE could "afford", as Senator Jackson's questions seem to assume. Had Congress intended this restriction, it could have imposed the fill requirement more straightforwardly without conditioning the fill rate upon its being "practicable" and "achievable." These modifiers suggest that Herculean and desperate measures to fill the SPR at any cost are not necessary, and that other programmatic requirements need not be ignored. The achievability of any theoretical "highest" fill rate must be considered in light of the facts that the new storage requirement was first established, for fiscal year 1983, three months after this fiscal year began, and that it may entail a substantial facilities and oil procurement effort.

---

*/ This was acknowledged by the Comptroller General in ruling that funds so "obligated" do not lapse at the end of a fiscal year during a time when SPR appropriations were limited to one year. Comptroller General Letter Decision (B-193005), "Obligation of Funds for Purchase of Oil for Strategic Petroleum Reserve" (October 2, 1978).

Moreover, the President properly may take into account any programmatic requirements which are not compatible with maximizing SPR fill in a given fiscal year. These may include the accepted need to enter the ensuing fiscal year with sufficient remaining appropriations to fund SPR purchases for six months, as well as making short-term adjustments in the pace of oil acquisition so as to take advantage of crude oil market trends. Prior to the enactment of the EEPA the SPR program had established a practice of carrying forward into the following year funds for six months of oil procurement, to assure the continuity of leach/fill operations, fund long-term oil purchase contracts, and serve programmatic planning objectives. The Congress enacted the EEPA with knowledge of this practice.

In reporting H.R. 7356, which was enacted as the fiscal year 1983 Department of the Interior and Related Agencies Appropriations Act, the House Appropriations Committee indicated its belief that "a fill rate of at least 220,000 barrels per day is possible within the budget request because of lower than expected oil prices", and stated that at this rate:

> At the end of fiscal year 1983, there would be undelivered orders of 39,000,000 barrels, nearly enough to cover delivery for the first six months of fiscal year 1984. Because of the lead time required, the managers of the program believe it is important to have six months of fill on order. (H.R. Rep. 97-942 at 106) (Emphasis added)

Although the Senate favored a higher 1983 fill rate than did the House, the Senate never explicitly challenged the SPR program's practice of advance funding for six months of purchases, utilizing no-year appropriations. Like the House, the Senate accepted the President's budget proposal, which was premised upon a carry-forward into 1984 of funding for six months of oil purchases.

Indeed, this is a well established practice, serving valid programmatic objectives, of which Congress was aware when it enacted the EEPA. Yet neither the EEPA nor the 1983 Interior appropriations act altered the nature of the available funds or the advance funding practice. It is well established that when the Congress, having specific knowledge of an administrative interpretation by the department charged with responsibility for administering a statute, appropriates funds for the activities under that statute, it confirms the department's construction of the statute and ratifies its actions. See Brooks v. Dewar, 313 U.S. 354, 360-61 (1941); Isbrandtsen-Moller Co. v. United States, 300 U.S. 139, 146-47 (1937); 2A Sands, Sutherland on Statutory Construction §49.10 (4th ed. 1973). See also Udall v. Tallman, 380 U.S. 1, 17-18 (1965); Air Line Stewards, Etc., Ass'n v. Northwest Airlines, Inc., 267 F.2d 170, 174 (8th Cir. 1959).

Concluding that a six month carry-forward of appropriations in fiscal year 1984 is authorized, it is necessary to determine what rate of fill during the first six months of 1984 should be assumed for this purpose. The President's proposed budget is for a fill rate of 145,000 b/d. However, this reduced rate is subject to Congressional approval, and in the interim one must look for guidance to the provisions of EPCA §160(c)(1), as amended by the EEPA. Under §160(c)(1)(B), the minimum required fill rate during 1984 is to be 300,000 b/d, unless there is in effect a Presidential finding for good cause that compliance with such rate would not be in the national interest. A comparable finding was made for fiscal year 1983, and the President's budget for 1984 gives every reason to expect that this finding will be made again next year. If it is made, §160(c)(1)(C) provides that the minimum required fill rate shall be 220,000 b/d. Therefore, until the Congress has acted favorably upon the President's budget request for 1984 SPR oil fill, it seems reasonable to assume a 220,000 b/d fill rate for fiscal year 1984, when reserving appropriated funds to be carried forward into that year.

Additional justification for carrying forward fiscal 1983 funds for obligation or for deliveries in fiscal year 1984 may be found in EPCA §160(b), which provides:

> The Secretary shall, to the greatest extent practicable, acquire petroleum products for the Reserve...in a manner consonant with the following objectives:
>
> (1) minimization of the cost of the Reserve;
>
> (2) orderly development of the Naval Petroleum Reserves to the extent authorized by law;
>
> (3) minimization of the Nation's vulnerability to a severe energy supply interruption;

(4) minimization of the impact of such acquisition upon supply levels and market forces; and

(5) encouragement of competition in the petroleum industry.

Note that this provision is currently effective, whereas the Energy Security Act in 1980 had imposed its 100,000 b/d minimum fill requirement "notwithstanding subsection (b)." It is conceivable that in some circumstances compliance with the §160(b) objectives may be inconsistent with filling the SPR at a rate that would exhaust available appropriations by the end of the fiscal year.

Moreover, we do not believe §160 reasonably can be construed as mandating, under any circumstances, a fill rate in excess of 300,000 b/d. The §160(c)(1)(D)(i) requirement for SPR fill at the "highest practicable" rate only comes into play if a "minimum required fill rate" of 220,000 b/d under §160(c)(1) has become applicable because of a Presidential finding, under §160(c)(B), that a fill rate of 300,000 b/d "would not be in the national interest." Under those circumstances, it would be anomalous if the effect was not only to nullify the President's finding, but also to impose a requirement of an even greater fill rate. Had this been the intent of Congress, it easily could have so specified.

On the other hand, the "highest practicable" mandate clearly does require a good faith effort to use the available appropriations to maximize the SPR's average fiscal year 1983 fill rate, so long as this increased fill is reconcilable with the SPR's other programmatic and statutory requirements; of course, if oil prices change significantly during the course of a fiscal year the fill mandate may change accordingly. But absent a deferral or a rescission, it would not be appropriate to defer SPR fill solely in order to reduce the obligation or outlay of available appropriations in the current fiscal year.

Likewise, limitations in unfilled permanent storage capacity provide no justification for failing to utilize available appropriations in the current year. In the EEPA, the Congress amended the EPCA to make clear that an absence of permanent storage capacity is not a valid basis upon which the SPR's fill rate can be determined. As amended by the EEPA, the EPCA makes petroleum stored in "interim" facilities a part of the SPR (§159(b)(2), 42 U.S.C. §6239(h)(2)); eliminates any requirement for amending the SPR Plan to identify the interim facilities or for preparing an environmental impact statement before storing oil there (§159(h)(1),(3), 42 U.S.C. §6239(h)(1),(3)); makes the SPR program's basic statutory authorities available with respect to interim storage activities (§159(f)(5), 42 U.S.C. §6239(f)); and allows funds to be obligated from the SPR's off-budget account to pay for interim storage expenses (§157(e), 42 U.S.C. §6247(e)).

Our conclusion, that the "maximum practicable" mandate of EPCA §160(c)(1)(D)(i) is not constrained at the 220,000 b/d level, is supported not only by the language of the statute, but also by the history of the SPR fill schedule and of the EEPA's enactment. The SPR remains behind the fill schedule established in the SPR Plan, and a reading of the legislative history of the EEPA as a whole demonstrates a clear intent that SPR oil fill be accelerated. The EEPA does not direct the President to rush pell-mell into facilities and oil acquisition in disregard of other programmatic or statutory requirements or of prudent standards of care but, subject to assuring a continuity of program funding into the next fiscal year, it does compel a conscientious effort to utilize all available appropriations (including advance-funded deliveries) so as to maximize the rate of fill in the current fiscal year.

R. Tenney Johnson

R. Tenney Johnson

The CHAIRMAN. I think that if we will look at that, we will separate 1983 and 1984 in a rather discrete way with respect to the President's letter of December 1, 1982. He never submitted any justification, nor any Presidential decision document, for not spending the available money and, as I recall, I agree with Senator Johnston that that law is very clear. That also tells me that you are going to be submitting a deferral and under the Impoundment Control Act that is subject to Congressional veto. I would suggest right now you are not likely to win that battle.

Senator FORD. Hot dog!

The CHAIRMAN. Senator Domenici?

Senator DOMENICI. Not being the chairman of this committee I sit down here at the end of the table so I can disagree with the chairman. I think you might win that veto.

The CHAIRMAN. Do you want to make odds?

Senator DOMENICI. No.

Senator FORD. Gee, I thought it was us!

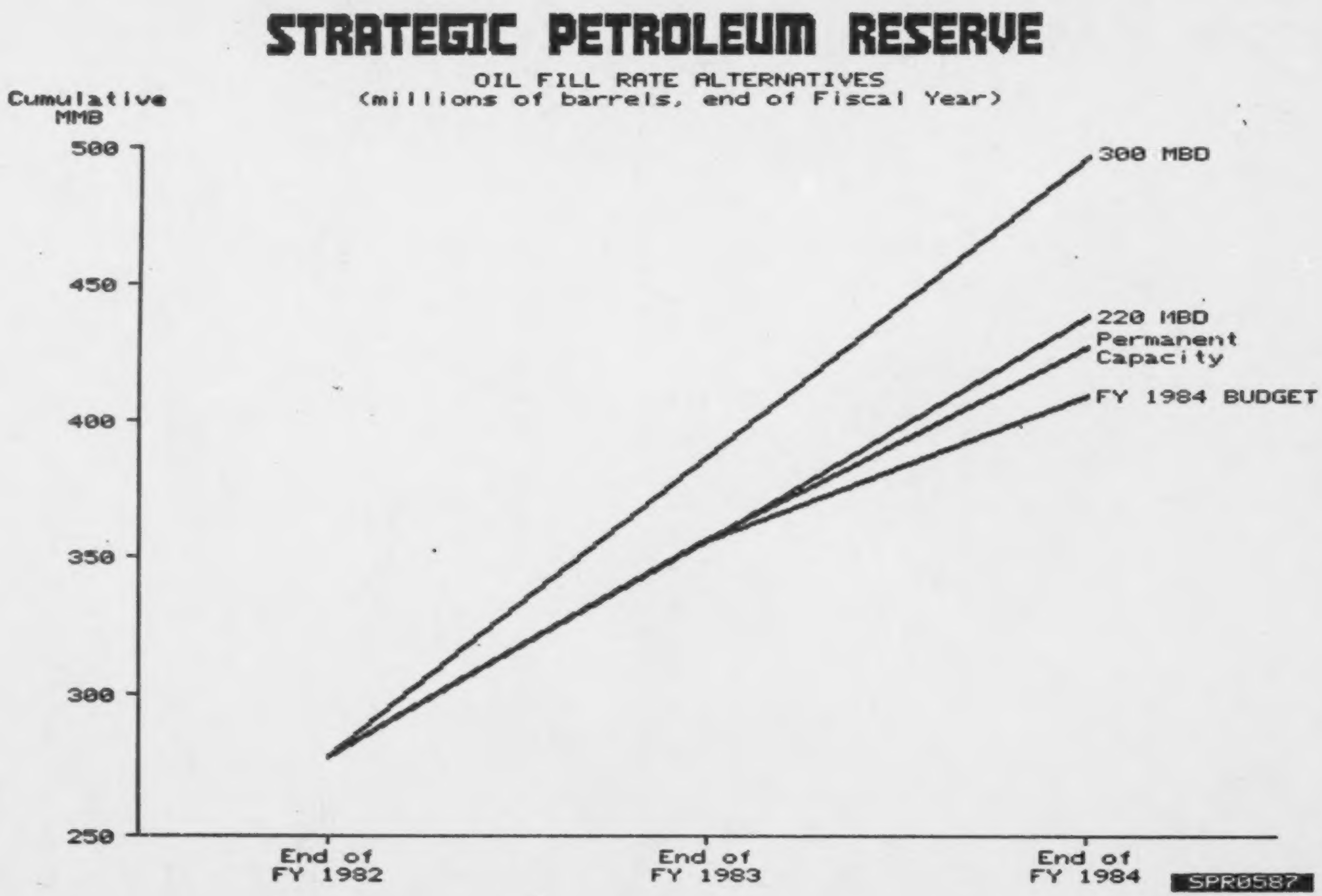
Senator DOMENICI. I would never disagree with my distinguished chairman!

Let me first say to you, Mr. Secretary, I wasn't here early on, but I personally want to commend you on the way you are handling your job. I assume that has already been done, but personally I would like to add my accolades.

During your confirmation hearing the Committee was asked questions with reference to stabilizing the Department and the morale in the Department and providing some leadership, I think in a short time you told us you were going to try and I think you have succeeded, and I compliment you on it.

With reference to the fill rate of SPRO, along with the other information that you might provide, I wonder if you might also give us information on storage capacity versus fill rate plotted along some chart that has to do with time? I am kind of interested in where we are going to store this if we continue at the rate suggested by Senator Bradley. I think that is very important for us to know, and also an analysis on just how good the storage capacity is in terms of it being made available in a proper way for the country if we need it, so I would hope you would be doing that.

[The requested information follows:]



STRATEGIC PETROLEUM RESERVE

OIL FILL RATE ALTERNATIVES
(millions of barrels, end of Fiscal Year)

Senator DOMENICI. I have just a few questions, Mr. Secretary. In the lame duck session, we did a lot of things in the nuclear field. One of them was with reference to uranium. You might recall that there is a provision in the law now that requires that DOE promulgate criteria for an annual assessment as to the viability of the domestic uranium mining industry. That is law.

I just would like to know if you have sufficient funds in your budget to do that, and could you also provide me with the plans to comply with the requirement as well as the other requirements relating to the uranium supply provision in the NRC authorization?

In particular I am interested in how you plan to monitor the industry in view of the fact that a sizable amount of its expertise will be lost if the uranium resource assessment capability is lost, and if we close out the activity as this budget seems to suggest.

Secretary HODEL. Senator, I understand that working its way toward me in the Department is a proposal for complying with that requirement, and that in that we will deal with the matter of the budgetary requirements. Presumably I will be sure that we add to that the question you have just posed with regard to losing that capability, and I do not have an answer to that at this time.

Senator DOMENICI. Well, when you are doing that, I hope you will look at the fact that while Congress was passing that, telling you to set up some criteria, at the same time there is a proposal in the present budget if I am not mistaken to greatly diminish the ongoing activity of the Department which is called uranium resource assessment. I would very much like you to look at whether that is inconsistent. On the one hand you have a new mandate to establish criteria as to the viability, and on the other hand reducing or abolishing our capacity to do uranium resource assessment—are they compatible? And I would like you to address that. If you don't have the answer now, I would appreciate your letting the committee know at a later date.

Secretary HODEL. The zeroing of that amount in the uranium enrichment account was anticipated to be picked up in the EIA portion of our budget so that we can continue the activity, but I think that in responding to the question in writing we should expand upon that answer.

[The requested information follows:]

At the present time, the Department is looking into developing criteria for an annual assessment of the viability of the domestic uranium mining industry. Although we have been considering the possibility of utilizing the Energy Information Administration to make this assessment, the DOE organization which will have the responsibility for this program has not yet been determined and likewise the resources that will ultimately be needed have not been identified. Once this determination has been made, I will be glad to forward it to you.

Senator DOMENICI. I would appreciate it. Your budget also includes funds for some initial remedial action on several of the inactive mill tailing sites. I think there are three in the Nation that are proposed. EPA has put out its final standard for cleanup and they are out for comment.

My question is do you foresee any delay in the proposed schedule for remedial action on the three inactive mill tailing sites that we have committed to fix up?

Secretary HODEL. No; I do not foresee any delay unless there is external to the Department of Energy criticism or opposition to the proposals for carrying out the work. I would expect us to be able to move expeditiously in condemnation and decommissioning of those uranium mill tailing sites.

Senator DOMENICI. I would hope, since the standards have been in a state of flux and now we have EPA's out for comment, that you and your Department might give this committee a current estimate of what the destabilization activity might cost. Assuming the EPA's criteria for stabilization, that it seems to me they are going to go up rather dramatically, the cost.

That doesn't mean I am passing judgment on whether we should do them or not, but I think we ought to know how much that is going to cost.

Secretary HODEL. I would be happy to do so, Senator, and may I provide that for the record?

Senator DOMENICI. Could he provide that for the record?

The CHAIRMAN. We will be happy to have it, and we will make it part of the record when we receive it.

Secretary HODEL. Thank you.

[The requested information follows:]

The Uranium Mill Tailings Remedial Action (UMTRA) project cost estimate is being revised and updated by the Project Office and the Technical Assistance Contractor, taking into account the requirements of the final standards promulgated by the EPA and site data which has become available since the preliminary project cost estimate was made. The effect of the final standards, which are somewhat less restrictive than the proposed standards, will be to reduce the cost estimate somewhat, the most important factor being the relaxation in the radon flux requirement by a factor of 10. The revised cost estimate will be completed in March 1983.

With the promulgation of the final standards in the Federal Register on January 5, 1983, the EPA invited public comment as to whether different standards would be more appropriate for application at the medium and low priority tailings sites, noting that since these sites have much lower population densities than the high priority sites, standards which are less restrictive or based on alternative approaches might be more appropriate. The Department is giving careful consideration to this matter and will respond to the EPA solicitation.

Senator DOMENICI. One last question. While it is not a very important part of your budget in terms of dollars, if I read the budget right, I want to compliment you and the administration for those portions of the budget that are aimed at improving the quality of math and science in education, both in the universities and the secondary schools. In particular I think you have $5, $6 million requested in your budget to modernize university research equipment and requests for graduate students—I don't know what you are going to call them. Traineeships or—is that correct? Something like that?

Secretary HODEL. Something like that; it is a graduate student program.

Senator DOMENICI. Could you tell me how did you happen on the goals, and do you intend to have them mesh with new initiatives that are part of the Department of Education and the National Science Foundation which I understand the same budget has some dramatic increases in both those areas?

Secretary HODEL. I think they are compatible, but they have not been meshed in the sense of our trying to work out the coordinated plan in detail with the Department of Education. This has been driven by the science portion of the Department of Energy, the R&D sector which is acutely aware of the fact that an important component of research activity in this country has been conducted at universities and that their facilities, like many of ours, over the years have not received the additional support necessary to keep them upgraded. Good facilities attract good students, and good students in turn generate the need for good facilities; and that was, I think, the prompting from our Director of Energy Research, that he felt this would be a major initiative we could take in support of our general approach in this budget.

As you know, we overall have a very tight budget situation, nationally, and certainly within the Department. Yet, in the area of general sciences and basic research, we are planning in this budget some new initiatives and, in fact, we have expanded our activity there because we think it is so important to the country. If we don't produce the facilities where tomorrow's scientists can be trained, we won't produce those scientists and maintain the United States' clear leadership which we have had for many, many years in these basic energy science areas.

Senator DOMENICI. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Senator FORD. Mr. Chairman, I have a couple of quick questions.

The CHAIRMAN. Senator Johnston?

Senator JOHNSTON. Just a couple of quick questions—the first has to do with nuclear waste, and I would have asked you this as my first question but I didn't notice it in your statement until later.

I am very disturbed about this statement that the President signed the bill on January 7, 1983, which establishes the funds to finance activity relating to development, construction, and operation of commercial and high-level waste repositories "* * * and studies of monitored retrieval storage concepts," studies of concepts.

We went through, the chairman and I, and many other members of this committee, some years in passing nuclear waste legislation which ended up on what we call a parallel track, which is monitored retrievable storage (MRS), and the deep geologic storage.

It is my abiding conviction and I think that of the majority of this committee that monitored retrievable storage is going to be probably the only answer, at least on the relative short term, that is, in the next couple of decades. That is, it is technologically better, because it is better to put wastes in the ground after they have cooled off which is an option you have got with monitored retrievable storage, and you have the ability to have convection cooling of those wastes. This is the way that the Europeans are doing it, the Germans, the French, the Fins, the Swedes, the British—are all going toward monitored retrievable storage. After a period of 50 years or so, then they may do something else with the wastes. But the law requires that, not a study, but that a plan, actual plans, be submitted to the Congress sufficient upon which to take bids by June 1, 1985. In order to meet that deadline, I think we are going to have to put that out for contracts very soon. It is going to take some environmental impact assessments, and I think if properly done, I believe that the Congress will end up approving that approach—and I know elsewhere in your document you have a statement to the effect that you are going to meet the deadline.

I simply would urge you strongly to accelerate and emphasize the MRS because I believe what you are going to find is when you get into the geologic approach you never are going to satisfy the geologists, because you almost have to prove the impossible. That is, you have to prove that this geologic formation is going to become impervious to any outside water migration or anything forever, and particularly when you put in these hot rods, you just can't prove that, at least you can't prove it as fast as the timetable calls for. So I would strongly urge you to do that, and before you reply to that, let me make my one other point, and that is on synfuels.

I am glad you have indicated that you are going to stick with it, but you also use the phrase "at this stage," indicating some equivocation on that issue.

The worst thing that could possibly happen to synfuels is to have the Government at an equivocal position, because then nobody is going to do it on their own, and yet they won't follow through on the Government because they haven't fully decided.

Now the administration ought to get on or get off on synfuels. I strongly believe you ought to get on. I don't think the Congress will let you get off, so I would urge that you not only make that decision, but that it may be made very clear to the public that we are going to stick with synfuels, that the study is over, and that we are going to go forward with the program.

Secretary HODEL. Senator, I appreciate those comments, and it strikes home when you make that comment about uncertainty because I am convinced that, on large-scale projects requiring a substantial investment over a long period of time, the uncertainty which exists today on the ability to continue, the change of the rules that may occur, the financing problems, and the like, is the most deleterious thing that can occur.

To the extent that my remarks may have contributed to that, I would like to take it back right now because I think it is imperative that we recognize that we are at stage 2 of the Synthetic Fuels Corp. They are seeking these proposals with price guarantees and loan guarantees available, and I believe clearly that that is what they are going to do. I don't see any effort to change that, so what I meant by at this stage, is that in my thinking I was not trying to prejudge the third stage of the Synthetic Fuels Corp. requirement that, if they do not find adequate response to this level, the proposal that they go to the Government contractor approach and the like, is one that was, I think, a much more serious and significant step.

Senator JOHNSTON. By the phrase, at this stage, you didn't mean equivocation on the part of the White House?

Secretary HODEL. On the phase 2—yes, exactly.

The CHAIRMAN. I would like to refine that just a little, because they are in the third solicitation. I would assume that your second phase is not necessarily tied to the solicitation methods employed?

Secretary HODEL. That is correct, Mr. Chairman. My understanding is that they have three kinds of programs that they can support, and the proposals that are now out, about to come out if they haven't come out, with regard to loan guarantees and price guarantees is the second category. That is the one which I think is currently seeking five or six proposals. I think we have quite a bit of interest in that, and I am quite optimistic.

The CHAIRMAN. Thank you very much. I didn't want your remarks to cast doubt on that third solicitation, which is a targeted oil shale solicitation, in which they are now engaged.

Secretary HODEL. I appreciate that, and because I don't hold myself out as an expert on the Synthetic Fuels Corp. activity, I don't want by some unintended implication to raise hackles and so forth.

What I am trying to say is, we think at this stage that the Synthetic Fuels Corp. should continue doing what it is doing with our support.

I did not respond to the question about monitored retrieval and the storage. When the budget was being put together, the act had not yet passed and we did not know the format, but we are in the process of reviewing that, in order to make sure that the actions we do take in 1983 lay the necessary foundation. I suspect we may have to come back to the committee with some suggested either supplemental or reprograming activity in order to make sure we do, both in 1983 and then again in 1984, the things necessary to meet the June 1, 1985 date, which we clearly intend to do.

Senator JOHNSTON. You are aware that you need to get moving on that pretty fast in order to meet that date?

Secretary HODEL. Yes. I must say that at this point I have done some adjusting internally at the Department, which has raised some question as to my intentions, in order to carry out the very tight timetables that were imposed on us by the Nuclear Waste Disposal Act.

We have detailed a number of our analytical people into the nuclear area to help implement that Act because we have some very stringent time deadlines to meet by June 30 of this year on that bill, and I think at the same time we have got to be looking at the monitored retrievable storage aspect.

Senator JOHNSTON. You have got to do more than look at it. You have got to commission somebody to draw the plans and have them ready to submit them to Congress.

Secretary HODEL. Yes. That again is a better phraseology, and I wish I had chosen it.

Senator JOHNSTON. Thank you.

The CHAIRMAN. Let the record show he said that.

Senator FORD. Mr. Chairman, very quickly, I appreciate the patience of the Secretary.

Mr. Secretary, going back to SPR, on March 20, 1982, which is less than a year ago, the President vetoed S. 1503, and I quote to you a portion of that veto message.

> The current world oil situation with the declining prices and ample supplies provides the best opportunity for future preparedness. This is why the Administration continues to add to the Strategic Petroleum Reserve as fast as permanent storage becomes available.

Now as I read it, by the 1984 budget request the administration is changing that policy because by the 1984 budget request the SPR will not fill to capacity, and at the end of fiscal 1984 you will have, as I am informed, considerable additional storage capacity not filled.

Am I correct in that statement?

Secretary HODEL. We would estimate 18 million barrels, Senator.

Senator FORD. So then the proposal that you are submitting then is not, you couldn't say that we don't have the space. At the storage you do have the space? All right.

On page 1 of the overview of the budget, fiscal year 1984, I would like to read you one sentence. In the third paragraph, last sentence, "Consequently, in 1983 legislation will be proposed to Congress which would reassign Federal energy activities currently performed by the Department of Energy to appropriate exclusive departments and agencies."

You are going to send up the same bill you had last Congress?

Secretary HODEL. I don't believe so, Senator. In fact, I think, to place this sentence in context, that correctly states the context within which the budget was prepared, but we are still examining as an administration how we should approach the question of reorganization which as you know while we have not pressed for it during this session, we still continue to explore in hopes that we can find an appropriate way to do it. But I would like to point out that the activities that are presented in this budget proposal are activities we think will need to be continued to be carried on by the Federal Government.

Senator FORD. But it says, the legislation will be proposed in 1983 to shift the responsibilities under your Agency to other agencies of the Federal Government. That means to me we are going to get legislation to dilute or transfer, that just on its face I don't think you can say anything different.

Secretary HODEL. As I say, that is the assumption which was utilized in preparing the budget, but in all candor, I must say that we are at this point examining the whole array of questions that relate to whether we should come forward with the bill, and if so, what that bill should look like.

Senator FORD. Well, Mr. Chairman, I am going to get my fingers off.

The CHAIRMAN. I don't mean to belabor the subject of the strategic petroleum reserve, but I do want to get a couple of facts very clearly on the record as to what this budget means.

If I understand the budget document, the money that is committed in 1983 does not contemplate delivery of all of the oil during fiscal 1983? There is some oil delivery that will occur in 1984?

Secretary HODEL. Yes, Mr. Chairman. That is the manner in which the strategic petroleum reserve has operated throughout, that moneys appropriated are obligated in a year, but in June we may be obligating for delivery actually in the next fiscal year in order to provide a continuous supply.

The CHAIRMAN. I understand that. I also would understand from your budget document that all of the oil to be delivered during 1984 would be oil purchased during fiscal 1983?

Secretary HODEL. That is what the budget contemplates, yes.

The CHAIRMAN. And that all of the oil to be delivered in 1985 would be the expenditures made during fiscal 1984?

Secretary HODEL. I believe that is correct. No, excuse me.

The CHAIRMAN. Perhaps I could rephrase that—of the oil purchased in 1984, none of that would be delivered in 1984? It would all be delivered in 1985?

Secretary HODEL. Yes, the $742 million request is for delivery in 1985.

The CHAIRMAN. I say that not to express agreement with that policy but simply to get on the record clearly what it is we are dealing with in policy choices.

Secretary HODEL. I am not misled, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Warner?

Senator WARNER. Mr. Chairman, forgive me. Armed Services convened today.

Turning your attention to page 4 in fossil energy, I have tried to follow each year the budget on fossil fuel. I am concerned about your acknowledged reduction here in the budget. This reduction is occurring when at long last we have been persuasive in getting the President to recognize, and the importance of coal to the United States and to World's energy security. In his state of the Union message, the President stated that it was time that America deepened its ports to be more competitive in World trade, particularly in the export of coal.

It seems to me that part of the U.S. coal sales program both for domestic and export use included how to burn it safer from the environmental standpoint. Could you touch on that?

Secretary HODEL. The funds that are requested, Senator, $138 million, are applied to liquefaction, gasification techniques, coal preparation and the like, which would relate directly to issues you raise.

I have been advised by the Assistant Secretary for Fossil Energy that this is a program which ought to meet those objectives. There is no question about it that honest men can differ as to the appropriate level, but on the spectrum of basic research through commercial operation, how far down that spectrum we go is one of the issues that we need to confront. In this case, there are a number of programs that would be much more toward demonstration projects, and we have found as with the breeder reactor, that, when the Federal Government gets down that far into the spectrum toward demonstration or commercial development, serious problems begin to arise. It is not only the higher cost end of it, but my personal view is that generally, although not always necessarily, results in a product which the private sector finds very difficult to take over. I think this is the case because of the way in which we design and approach the design of major projects, but what we are trying to do is focus our attention with these moneys; and it is an area which I am sure you and other members of the committee will want to probe more deeply as we get further into the budget.

What we are trying to do is focus on those areas which have a significant research potential that would be supportive of our effort not only to utilize coal in the United States, but to make it a viable export; and I think that is consistent with the administration's concern for improved ports.

Senator WARNER. While the port improvement program is not directly within your sphere of responsibility, within our private discussions together you have been fully supportive of these efforts to go forward and approve our ports?

Secretary Hodel. Yes, I am.

Senator Warner. The export of coal?

Secretary Hodel. I am.

Senator Warner. And this adjustment within your budget does not reflect any lack of support on your part in that area?

Secretary Hodel. Not at all; in this hearing today we have discussed the importance of certainty, continuity, and I think that, particularly when we are dealing with potential foreign purchasers from the United States, it is imperative that we have facilities on tap that will permit them to plan their long-term energy future in a responsible way.

We can't be on again, off again, on again, off again. They soon decide there is no point in continuing to deal with that.

Senator Warner. That's true. Essentially we are being reduced to a Nation as a spot market supplier, and lacking the ability to give the long-term contractual assurances that are necessary to gain a stronger position in the world market, so for that reason and others, I think it is wise that we go ahead with this port development program.

Shifting to another subject, Mr. Chairman, I don't wish to prolong this. Has the Secretary had an opportunity to comment on the worldwide petroleum supply and what your projections are say for the coming 12 months on domestic production? Has that been covered adequately in the judgment of the Chair?

The Chairman. Excuse me. I apologize to the Senator from Virginia. I was consulting with staff and I didn't hear the question.

Senator Warner. Has the Secretary had an adequate opportunity to give his views on the worldwide petroleum supply?

The Chairman. He has expressed some opinions with respect to it at several points. I don't know whether that is adequate. I guess that is a judgmental question.

Might I ask the Secretary if he feels he has had an adequate opportunity to express himself on that?

Secretary Hodel. Mr. Chairman, without any intention of being flip, I think I have had adequate opportunity because in that category of projection of what is going to happen, I think that one thing we do know, the forecasts and opinions that are rendered today will probably assuredly be wrong. It is the only thing I am confident about with regard to that, but I think that our general view is clearly that we expect there to be a continuing overcapacity for the production of oil in the world, and that as the price drops, there will be some stimulation.

Senator Warner. Some what?

Secretary Hodel. As the price of oil drops which we anticipate will happen, and again the magnitude is open to all kinds of speculation and is dependent upon all kinds of issues that simply can't be predicted, but if we see a continued softening of the oil price, our economic theory says that we ought to see a corollary, not necessarily one to one, increase in the purchase of oil. Additionally, it seems to me that the reduced price of oil will have a stimulative effect upon the economy in all kinds of ways, not only reducing the prices of goods, reducing the price of transport of goods, but it means, therefore, that there will be additional funds in the hands of consumers to be expended.

Senator **Warner**. Are you considering any standby measures to encourage our domestic productive capability from not declining in this situation?

Secretary **Hodel**. At the level we are presently discussing, we anticipate that there still is substantial incentive for domestic production, and I have discussed earlier with the committee the concern that I have that uncertainty about the future is more likely affecting the level of activity today and the level of investment in oil exploration activity than is the actual level of the price.

If there were certainty with that price or a lower price was going to be the price, I think it would stimulate investment, but not knowing and the current unstableness of it probably affects that.

The **Chairman**. I might just repeat an announcement the committee made yesterday of hearings on the world petroleum outlook which will occur 2 weeks from Friday, and again on the following Monday. One of those two hearings will be classified. The other will be an open hearing.

Senator **Warner**. The last point again I would like to say to the Secretary how cooperative you have been with the members of the Congress who have had an interest in the distribution of funds from your account for the oil escrow account to citizens of this Nation, firstly the Governors and then citizens, to help them in their time of crisis to meet their hearing requirements.

I understand that program is going smoothly. The checks are being distributed within the next 27 hours. Would that be correct?

Secretary **Hodel**. They should be out this week. I have no reason to believe that has been changed in any way, and that is our target. We have notified all Members of Congress, and we have notified all of the Governors by wire that the check is coming, and the amount of the check.

Senator **Warner**. Did we build in this legislation and perhaps in whatever regulation you promulgate a sufficient flexibility on the part of the Governors of the States to utilize these funds to the best advantage of their particular energy requirement?

Secretary **Hodel**. I believe so. It provides several categories of activity to which they can allocate the funds, including low-income energy assistance. I think in so doing the Congress has left a wide range of latitude and let the States decide the best area of application.

Senator **Warner**. Thus far no objection from the Governors?

Secretary **Hodel**. I have heard no Governor objecting to being informed that we are sending him money.

Senator **Warner**. I'm sure of that. Thank you, Mr. Chairman. Thank you, Mr. Hodel.

The **Chairman**. Thank you, Senator. Just a couple of further questions—as you know, there has been a continuing concern in the Congress with respect to the energy emergency response mechanism that this country might employ. That was a matter that was extensively debated and negotiated between the Congress and the administration at various stages and in the various manners over the last 2 years.

One of the results of that process was to require that the President submit to the Congress certain energy emergency preparedness programs and identify the elements that would be in place to meet an emergency. One of those elements obviously is how do you administer such a program? And it has been identified that the executive manpower reserve is to be utilized.

Our reading of that act would indicate that this probably would require some antitrust or conflict of interest resolution in order to be able to use that act and that manpower reserve.

Is the administration preparing legislation which would correct those deficiencies?

Secretary HODEL. We are reviewing the need for it, Mr. Chairman, and my understanding is the same as yours, that there is a need for it, and the form of the legislation is under consideration. It would be my desire to come forward with a proposal. It is difficult, as you know, in the area of antitrust and conflict of interest to frame language which will be deemed acceptable because we are also concerned about antitrust activity, and we are concerned about conflict of interest.

My personal experience in the electric utility industry while I was with the Bonneville Power Administration persuaded me of the absolute necessity and benefit achieved by this Nation in being able to utilize those people who are the knowledgeable people in the system. In the electric system we had under the Defense Emergency Preparedness Act, Defense Electric Power Act, we had the authority to essentially draft, if you will, the people who were the operators of the systems. They knew more about moving electric power around and how to do it in an emergency than any 10 people we could have hired and tried to train for the job. It was gratifying to see them willingly, at their own expense, gather together and be able to discuss defense.

It is somewhat different dealing with those regulated utilities obviously than it is dealing with—-and I believe the authority has expired—the representatives of the oil industry, and yet I think the potential there is far superior to any alternative I am aware of.

The CHAIRMAN. Certainly the committee would like to work with you in developing that legislation or finding both the pitfalls, and the solutions to those pitfalls, if indeed we can be of some assistance.

I will again express my very grave concern about the difficulties that might be encountered by this, or any other administration, in the event of an oil supply, severe shortage or one of a whole variety of different kinds of interruptions in supply or interference with the delivery of those supplies. I have expressed my concern on many occasions in the past; yet we continue to rely upon something which is not yet perfected. It is just conceptual. It seems to me that with every day that goes by without facing that, that we have had more good luck than good management. I would hope that we get in place the resolution of these problems.

I think Congress is very serious about it. I know that I am very serious about trying to get something done to meet what was the accommodation between the administration and the Congress last year but still hasn't been flushed out in any very real terms.

Reference was made earlier by Senator Wallop to the Power Marketing Administrations, and I note in the budget request that Bonneville Power Administration will request an additional $1.25 billion in borrowing authority, and that they have requested that for construction financing, and you request $324.5 million. Is that correct?

Secretary HODEL. The initial act, as I recall, provided their $1.25 billion borrowing authority, and this $324.5 million request will be for additional borrowing authority.

The CHAIRMAN. That is not directly related to the financing of the project?

Secretary HODEL. No; I say no so confidently, but my recollection is that clearly Bonneville's borrowing authority is restricted to financing its capital construction of transmission systems, and I believe that is what this is for.

The CHAIRMAN. The Bonneville Power Administration did sign that bill in contracts with the Washington Public Power Supply System on the first three of five projects that were ultimately undertaken?

Secretary HODEL. That is correct.

The CHAIRMAN. And there are legal obligations between Bonneville and WPPSS with respect to the first three of those?

Secretary HODEL. Yes.

The CHAIRMAN. I know there has been some discussion with respect to protecting the liability of the Federal Government agency, BPA, with respect to the first three, and while I don't want to get into any action, as you do not want to get into any action, with respect to bailing out the Washington Public Power Supply System, bailing them out of their difficulties; nevertheless their difficulties reflect upon Bonneville and Bonneville's customers because of the net billing contract on the first three.

I have no solution in mind, but I do want to surface the possibility that some borrowing authority might be utilized, and I want to emphasize "might" be utilized to minimize the financial impact upon Bonneville and their customers that relate to the liability under the net billing contract because sometimes you can maximize the expense and other times you can minimize the expense. Is that correct?

Secretary HODEL. I am very hesitant, Mr. Chairman, to speculate about the various opportunities that exist, as I know you understand; but there is also no question about it, that the form of financing can affect the cost and the suitability of Bonneville through its net billing contracts. Participating further is something that I am sure will be where appropriate, considered, and I am sure may very well be presented to the committee by others.

At this point we have continued to take the position that the Bonneville contract, contracts on the first three plants, are enforceable and that they are completeable within the context of those contracts. If the administrator or groups with the administrator of the region can identify cost beneficial activities that ought to be undertaken that are within the general purview of those contracts, I certainly would be desirous of examining it, as I am sure you would be, but I am just not in a position to speculate what that might be at this time.

The CHAIRMAN. I only mention it now because I think that we will be trying to explore, and we will be asked to explore, what the liability of the Bonneville Power Administration is under those contracts and what the impact of various events will be.

I think you know, and I believe I do, that the events have kind of outstripped the ability of all of the people up there to rationalize the results. We have lawsuits in three different states and in Federal courts in all of those areas, and now there is no solution outside of the court. As one of the city attorneys in Idaho put it to me, he said we don't like to go to court, but when everybody else is there we have got to protect ourselves.

All of a sudden there is a paralysis that simply can't go away until the lawsuits are settled. In the meantime other events happen and they do have impact upon the consumers that are affected and upon each and every one of the entities that is affected. I don't see any resolution of that outside of court because everybody is afraid to take voluntary action, and voluntary action to be effective would have to be nearly unanimous. Unanimity on anything is impossible to achieve, and I say that advisedly. They got into this by near unanimous action. It is a lot harder to get unanimous agreement now than it was in the much more sanguine days as they were looking at the development of these projects some years ago; so it may be that they simply can't solve the problems themselves within the legal framework that they must work.

Some time ago I suggested that as an alternative something that horrified many people, and I raised the specter at that time that they might have to file bankruptcy, and I said that only, I stress that "only" because bankruptcy at least would force all of the participants into one court proceedings where one court could resolve it all. Right now we have differing courts coming up with differing dispositions upon differing schedules, and there is no way to rationalize it.

I don't like the prospect of bankruptcy. I don't think anybody wants that. It might even require a change in the bankruptcy statute to allow in effect a Chapter 11 for municipal corporations which is the case now, and second, any access to bankruptcy has to be at the instigation of the parties affected, not their creditors in such a particular instance under existing statute; so I think we have a problem that may require us to look at some different solutions and we will certainly be exploring that with you, and I wish I knew what to ask you to do now. I am not going to ask you just to whip out the checkbook.

Secretary HODEL. I wish I did know what to do. I wish you could ask me to do something and help resolve that problem.

I keep believing that ultimately the core of the solution rests with the basic economic potential and strengths of the utilities that are involved there, that in accord with one another they have the wherewithall to solve the problem. They, in fact, are not bankrupt. If they become bankrupt it will be because they cannot reach accord, and as you say, once one is in court, then others must go. Once one is in default, then the others may feel they must default. Once one is in bankruptcy, it may precipitate others even though collectively they have the ability to resolve the issue.

The CHAIRMAN. I think there is no doubt that they are not bankrupt in any technical sense, and they are not bankrupt in the sense that they can't pay their obligations over time, but their problem right now is being able to pay their obligations upon a time schedule that is beyond their control. Their obligations require a time schedule that is different than the resolution's time schedule, and there is a basic mismatch. The obligations come due faster than they can resolve the differences.

There may need to be some assistance to resolve those two different time-paths in some fashion or another.

One final question, Mr. Secretary—your budget indicates that the MHD program will be zero. That is not the first time the administration has suggested that, not the first time we have addressed this.

I also understand that at various times in the past it has been held forward to the committee that Montana Power Company might well be interested in participating in the further development beyond the stage in which we find it now.

In the event that Montana Power should come forward with such a participation offer, would that change the administration's attitude toward the MHD project?

Secretary HODEL. Mr. Chairman, I can speak for myself. It would change my attitude. It seems to me that in principle what we would then be seeking to do with MHD would be in principle what we are seeking to do with the Clinch River Breeder Reactor. If there is a responsible mechanism for moving the project forward to completion of the technology which the Congress has clearly determined we ought to be doing and which we keep trying not to do because we think it is too far down the developmental road, it would seem to me the analogy to the Clinch River Breeder solution would be good and ought to be one we would be prepared to pursue.

I would at least expect to espouse that point of view in the administration's councils when we are determining our position.

The CHAIRMAN. Thank you very much, Mr. Secretary. Members of the committee may wish to file questions in writing for your written response. They will have the balance of the business day today to do so. I would hope those responses could be in by the end of next week so they could be included in the full record. Such questions and their responses will be made a part of the record when received.

Secretary HODEL. Thank you very much, Mr. Chairman for your courtesy and that of the Members of your committee.

The CHAIRMAN. Thank you again, Mr. Secretary. It is a pleasure to have you before us in this capacity for the first time. You have done an excellent job.

Secretary HODEL. Thank you.

The Chairman. Thank you.

[Whereupon, at 12:17 p.m., the hearing was recessed, to reconvene Wednesday, February 2, 1983.]

APPENDIX I

Responses From Secretary Hodel to Additional Committee Questions

JAMES A. McCLURE, IDAHO, CHAIRMAN

MARK O. HATFIELD, OREG.
LOWELL P. WEICKER, JR., CONN.
PETE V. DOMENICI, N. MEX.
MALCOLM WALLOP, WYO.
JOHN W. WARNER, VA.
FRANK H. MURKOWSKI, ALASKA
DON NICKLES, OKLA.
CHIC HECHT, NEV.
JOHN H. CHAFEE, R.I.
JOHN HEINZ, PA.

J. BENNETT JOHNSTON, LA.
HENRY M. JACKSON, WASH.
DALE BUMPERS, ARK.
WENDELL H. FORD, KY.
HOWARD M. METZENBAUM, OHIO
SPARK M. MATSUNAGA, HAWAII
JOHN MELCHER, MONT.
PAUL E. TSONGAS, MASS.
BILL BRADLEY, N.J.

MICHAEL D. HATHAWAY, STAFF DIRECTOR
CHARLES A. TRABANDT, CHIEF COUNSEL
D. MICHAEL HARVEY, CHIEF COUNSEL FOR THE MINORITY

United States Senate
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, D.C. 20510

February 2, 1983

The Honorable Donald Paul Hodel
Secretary
Department of Energy
1000 Independence Avenue, S.W.
Room 7A257
Washington, D.C. 20585

Dear Mr. Secretary:

On behalf of the Committee on Energy and Natural Resources, I wish to express its appreciation for your contribution to our understanding of President Reagan's proposed budget for Fiscal Year 1984.

In connection with your testimony before the Committee on February 1, 1983, enclosed are questions for the record. Your response by Wednesday, February 9, 1983, would be appreciated. Your response and any inquiries regarding this request should be directed to the attention of Richard D. Grundy, professional staff member at (224-2564).

Sincerely yours,

James A. McClure

James A. McClure
Chairman

JAM:nm
Enclosures

Questions for Secretary Hodel

1. Departmental Administration

Within Departmental Administration the Fiscal Year 1984 budget estimates increased revenues relative to fiscal year 1983. Would you provide a detailed comparison of revenues within this account since fiscal year 1982? In light of past experiences with overestimated revenues which later necessitated reprogramming requests to offset shortages, would you explain your reasons for believing that this will not occur again?

2. Manpower

The Fiscal Year 1984 budget proposes reduction in staffing (FTS) within the Department. Would you supply a comparison between Fiscal Year 1983 and 1984 proposed staffing by assistant secretary and by appropriations account, at the program level? Would you identify applicable legislative restrictions and any proposed changes in such restrictions? Would you also distinguish between headquarters and field operations, within these figures?

Questions submitted by Senator Hatfield

3. The FY84 budget again proposes to eliminate funding for the state and local energy conservation grants, but does not, as in previous years, propose to transfer such functions as the low-income weatherization program into a block grant within another agency (HUD or HHS). Will the Administration be proposing a "federalism" package which assumes that low-income weatherization activities will be continued within another agency?

4. In the FY82 Supplemental Appropriations, Congress mandated minimum staff levels for a number of program areas within the Department which were budgeted above the President's request, and which were facing massive Administrative RIF's. From the budget materials provided the Committee, it appears as though the Department is not going to satisfy those statutory staff requirements. Would you please explain. (Conservation staff, 352, of which not less than 154 shall be assigned to Conservation R&D, and 180 to state and local programs; Fossil Energy staff, 450; Economic Regulatory Administration staff, 450; Energy Information Administration staff, 490; accept that staff levels can be lowered by requesting a recission or deferral)

5. Shortly after the submission of the FY83 budget request last year, OMB issued an amendment to their administrative procedures prohibiting any Federal employee from providing information to the Congress if the information requested assumed appropriations in excess of the President's actual budget request. For example, in fossil and conservation where Congress clearly felt the need to increase funds above the President's request, the Department of Energy was prohibited from discussing with Members or staff, by phone or in writing, any agency capability statement associated with a potential increase in funds. Mr. Secretary, can you tell the Committee whether that OMB directive still applies to DOE and whether again this year we will be unable to obtain such information from your Department.

6. Mr. Secretary, in the short time you have been at the Department your commitment to a strong national energy program and a well managed Department has helped improve the morale of many DOE personnel. The Office of Conservation and Renewable Energy, however, continues to be a controversial office since the release of Dr. Maxine Savitz. What are the Department's plans to rename a head of the Conservation R&D Office, will someone be named to that post by this spring?

7. Mr. Secretary, ~~In~~ in the Continuing Resolution Conference Report the Conferees instructed the Department to complete the safeguards evaluation and demonstration for the Barnwell Facility and phase out the activities by July 31, 1983. No

7. con't.

Federal funding is provided for any activities at the Barnwell Plant beyond July 31, 1982. Are you committed to these instructions of the Congress or will activities continue at Barnwell after July 31?

Questions submitted by Senator Weicker

8. On April 21, 1982, the General Accounting Office released another analysis of the State Energy Conservation Program. The GAO study clearly points out that the States' reporting of energy savings based upon their participation in the SECP did not achieve the 1980 goal for energy conservation, that such savings as were reported were overstated and unsupported by fact. The GAO report concludes, in part;

   > "The 57 States did not attain their 1980 savings goal of 5.2 quadrillion Btu's. Also, based on our review of savings reported by the six States for 1980, we believe that the 1980 savings of 3.1 quadrillion Btu's reported by the 57 States is significantly overstated and is not a valid measure of actual program progress and effectiveness."

   My questions are;

   A) Do you believe that the States can properly and effectively manage their role under SECP?

   B) The GAO cited a number of specific steps that DoE should take to enhance the strength of the SECP program. Has the Department acted on these GAO proposals?

   C) On page 30 of the report, the GAO specifically notes seemingly improper use of SECP funds for salaries and travel advances for non-SECP employees in New York and Indiana. What action has the Department taken to recover these funds?

9. Given the unsettled state of the world petroleum market, it would seem most important that the Department proceed rapidly to recruit an Assistant Secretary for International Affairs. During your confirmation hearings you acknowledged this priority, can you indicate how soon you expect to fill this position?

10. When will the Department be able to release its analysis of current utility industry condition being prepared by the Policy Office?

ADDITIONAL QUESTIONS FOR SECRETARY HODEL FROM MINORITY MEMBERS OF THE COMMITTEE ON ENERGY AND NATURAL RESOURCES

11. Energy Targets

Section 301 of the Energy Security Act (P.L. 96-294) requires the President to transmit to Congress a set of energy targets for net imports, domestic production, and end-use consumption of energy for the calendar years 1985, 1990, 1995, and 2000. These targets are to be transmitted "during the first calendar week beginning in February", which is next week.

Is the President prepared to comply with Section 301?

12. Nominations

At this time there are five positions in the Department of Energy subject to Senate confirmation that are vacant or being managed by people the Senate has not confirmed in those particular jobs. These positions are: Under Secretary of Energy, Deputy Secretary of Energy, Assistant Secretary of International Affairs, Director of the Office of Alcohol Fuels, and Director of the Office of Civilian Nuclear Waste Management.

When can the Senate expect to receive nominations from the Administration for these positions?

13. Electric Utility Issues

The Department of Energy's Office of Policy and Evaluation has devoted a lot of time to studying electric utility financing. J. Hunter Chiles, the Director of the Office, has been quoted fairly extensively in the media on the subject of these studies.

How much has the Department spent on these studies?

What has been the result?

Do you expect to submit any proposed legislation based on what has been learned in these sutdies?

14. Energy Taxes

Do you favor the use of energy taxes as a means of raising general revenues for the Federal Government?

Isn't this what the President is proposing with his contingency import fee amd domestic oil production tax?

What are the expected revenues from such a fee, assuming, for example, that it were imposed in 1985, and what are the implications of such a combination of fees and taxes for energy policy, domestically and internationally?

15. Strategic Petroleum Reserve: current size

You describe in your statement the ability of the current SPR to satisfy U.S. oil demand and you appear to derive some sense of comfort from those numbers.

Why do you only consider U.S. demand? Didn't DOE tell the Committee on May 6, 1982, that DOE is considering as an option the use of the SPR oil to compensate U.S. oil companies who supply oil abroad under the IEP program?

If you don't use the SPR oil for this approach won't the IEP Fair Sharing system require a regulatory approach to ensure that oil companies who supply oil are not disproportionately burdened?

16. Strategic Petroleum Reserve: discount rate

In your statement you say that, "Based on current forecasts, purchases of oil made today with borrowed money would require outlays in excess of those required to purchase the same amount of oil in FY 1982".

Aren't you simply saying that the projected discount rate is higher than projected oil price increases? Won't this be likely true for the foreseeable future? This is usually true of buying insurance generally, isn't it -- it's always cheaper to defer buying insurance, unless, of course, the event you are attempting to insure against occurs?

17. Strategic Petroleum Reserve: use of available salt dome capacity

On March 20, 1982, less than one year ago, the President vetoed S. 1503 and stated in his veto message, "The current world oil situation, with declining prices and ample supplies. provides the best opportunity for future preparedness. This is why the Administration continues to add to the Strategic Petroleum Reserve as fast as permanent storage becomes available."

In this FY 1984 budget he now is changing that policy. The FY 1984 budget request for the SPR will not fill available salt dome capacity. The Committee staff was informed yesterday that at the end of FY 1984 you will have 18 million barrels of spare storage capacity or enough to fill the SPR at a rate of 50,000 barrels per day greater than you plan to achieve for FY 1984. Why is this policy change necessary.

18. Conservation: staffing

You have a lot to say in your statement that is favorable to conservation. You also say: "To ensure that the requirements of the waste bill are fully understood and acted upon as promptly as possible, I have detailed a number of Department of Energy employees from the Policy and Planning organization to a special task group for this purpose."

How many of these employees were detailed from work on conservation? How many employees remain working on conservation in the policy and planning organization? How long will those who have been moved be detailed to implementation of the nuclear waste bill?

19. Low-Income Weatherization

You are requesting no funds for the low-income weatherization program, but instead intend the poor to rely on the low-income energy assistance program. Is that correct?

Does it make any sense to keep paying the high fuel bills of the poor rather than to weatherize their homes so as to reduce the cost of heat for the poor permanently and as well to reduce the costs of the Low Income Energy Assistance program?

How much additional money is the Administration requesting for this program in light of your zero funding request for Low-Income Weatherization?

20. Solar and Energy Conservation Bank

Secretary Hodel is a member of the Board of Directors of the Solar Bank.

Is it true that although the Bank was provided $42 million in total for distribution in FY 1982, they have announced awards that total only $30.4 million? Where is the other $11.6 million? Is it true that the Administration intends to request a reprogramming of this money to the low-income energy assistance program?

Did you approve of this reprogramming?

21. Size of the Conservation Budget

You are now adding the "Electric Energy Systems and Energy Storage Systems" under the heading of Conservation. While they arguably are conservation programs, in fact they have not been included in the conservation appropriation account, have they?

In fact, if you leave them out the result is that you are requesting $74.377 million for conservation as compared to the FY 1983 appropriation of $367.290 million, so the cut is an 80 percent cut.

You appear to support the energy conservation research effort. Yet you are cutting that from $134 million to $71 million, which is a 46.5 percent cut. Why is this cut necessary?

22. Strategic Petroleum Reserve fill requirement

On December 1, 1982, at your confirmation hearing, Senator Jackson requested that you have the DOE General Counsel supply the Committee with a legal memorandum on the legality of DOE achieving an FY 1983 fill rate for the SPR of only 220,000 b/d given the requirements of the Energy Emergency Preparedness Act of 1982 and the magnitude of funds now available for filling the SPR.

You agreed to provide this memorandum. On January 14, 1983, Senator Jackson wrote you again requesting the momorandum. Is it available now? Why not? Where is it? What is the problem? How can you administer the SPR program if you don"t know yet what the law requires of you for FY 1983? What are your lawyers telling you at DOE? Has DOE discussed this with OMB? What is OMB saying?

23. Strategic Petroleum Reserve delivery schedule

How much of you FY 1984 budget request will be used to buy oil for delivery in FY 1984?

Will all of the FY 1984 budget request be used to buy oil from Pemex for delivery in FY 1985? How much oil will your FY 1984 budget request purchase?

24. Western Hemisphere Alternative Fuels Facility

When the Senate Appropriations Committee marked up the FY 1983 Interior Appropriations bill, now P.L. 97-394, an amendment was adopted by the conference to transfer and designate $2,000,000 from the alternative fuels production account for a feasibility study of a Western Hemisphere alternative fuels facility to utilize coals exported from the United States.

The U. S. contribution is only 25% of the total cost of the study; it will mean jobs for Americans in a depressed region and industry; and it will increase exports of coal which will only help lessen our serious balance of trade deficit. Moreover, the facility is to be located in Panama, a country located in a strategic region which President Reagan focussed on and designated for assistance in a major foreign policy initiative last year, the CBI.

When do you plan to obligate these funds?

25. National Defense

The Emergency Preparedness and Energy Regulation budget includes funds to "plan for and participate in national defense readiness exercises to be held in FY 1984" (Vol. 7, page 100, DOE/MA-0064/1). Please describe in detail the activities to be undertaken.

26. Executive Reserve Program

The Emergency Preparedness and Energy Regulation budget includes funds for "complete procedures to bring Emergency Executive Reserve Programs Reserves to operational readiness," and to "design and complete tests and training to ensure readiness and viability of reserve units." (Vol. 7, page 111, DOE/MA-0064/1). One of the major impediments to the Reserve program has been lack of company executive interest in participation. Does the Department intend to propose legislation in this area? If not, how do you intend to interest executives in participating? What concrete evidence do you have of interest in the program from persons outside the Federal government?

27. NEMESIS

What was the FY 82 level of support for NEMESIS? What is the FY 83 level of support for NEMESIS? What funds are being requested for NEMESIS for FY 84?

28. Certifications by Powerplants of Coal Capability

How many voluntary certifications by powerplants of coal capability did the Department receive in FY 82 pursuant to Section 1021 of the Omnibus Budget Reconciliation Act of 1981? How many certifications does the Department project it will receive in FY 83 and FY 84? How many prohibition orders have actually been issued in each fiscal year? How many does the Department expect to issue in all of FY 83 and in FY 84? How would certifications received in FY 84 be disposed of if the program is zero funded, as the budget requests?

29. PIFUA Exemptions

How many petitions for PIFUA exemptions has the Department received in FY 82, and in FY 83 to date? How many does the Department expect to receive in all of FY 83 and in FY 84? How have the petitions been disposed of in each of those years? How would petitions received in FY 84 be disposed of if the program is zero funded, as the budget requests?

30. Uranium Resource Assessment

You propose to provide zero budget authority for the Uranium Resource Assessment program.

(a) What is the current status of the program?

(b) Why does the Administration believe that the program should be terminated?

31. Strategic Minerals

It is my understanding that the Department has collected soil and water samples under the Uranium Resource Assessment program that may be helpful in locating strategic minerals. It is also my understanding that the Departyment has not analyzed these samples in terms of strategic minerals location.

(a) Is this true?

(b) (If yes) Does the Department intend to analyze the samples in terms of strategic mineral location?

(c) (If no) What does the Department plan to do with the samples?

32. MHD Funding

In the January 21, 1983, issue of the The Energy Daily you were quoted as saying that "if Congress is not going to support continued demonstration of the breeder -- and I think it won't -- then it is hard to support demonstrations such as MHD."

How would you reconcile this statement with your promise to the Committee to spend money for programs as appropriated and directed by Congress?

33. Regional Petroleum Reserve in Hawaii

The Administration has concluded that a Regional Petroleum Reserve for jet fuel or crude oil in or for Hawaii is unnecessary, and this conclusion forms one of the bases for the Administration's Fiscal Year 1984 request for funding for the Strategic Petroleum Reserve. This conclusion seems to be based upon conclusions in the Department of Energy's "Report to the Congress" on Regional Petroleum Reserves, dated December 31, 1982, which says, "The technical improvements which have occurred to the system of petroleum logistics now serving Hawaii, together with the removal of domestic price and allocation controls, have combined to reduce Hawaii's vulnerability..." and "Knowing that such protection (allocation and price controls and federal authority to override states in an energy emergency) was in place...undoubtedly caused refiners to be less cautious about the security of their imported supplies and the level of safety of stocks than they otherwise would have been."

My questions in this area are:

a. What "technical improvements" does the Administration refer to in concluding that regional reserves in or for Hawaii are unnecessary?

b. Price and allocation controls were put into effect because independent refiners and distributors were being cut off from supplies in their absence. What evidence now suggests that the absence of price and allocation controls, and the absence of federal authority to overrride state controls, would have any effect different than the effect it had in 1973?

c. What evidence is there to suggest that independent refiners and distributors will make investments in storage and will seek long-term supply contracts at a time when prices are declining and profits are being reduced?

d. Under the "market-oriented system" described in the "Report to Congress" on regional reserves, what would prevent those fortunate enough toown crude oil or jet fuel during a disruption from doubling or tripling the price of their supplies?

34. Solar Funding Request

Regarding solar energy and other renewable energy sources, what funding levels did the Department of Energy propose to the Office of Management and Budget for each of the categories listed under "Solar and Other Renewables" on page 17 of the Department of Energy's FY 84 Budget Highlights?

35. Hawaii Solar Funding

Provide provide a description of, and level of funding for, all of the solar and other renewable energy projects in the State of Hawaii in FY 83, and the corresponding description and proposed level of funding for these projects in FY 84.

36. Hurricane Iwa Cleanup

Kauai Electric, on the island of Kauai in Hawaii, suffered severe damage to its system in the recent Hurricane Iwa. I would greatly appreciate knowing if any programs exist in the Department of Energy which might be of assistance to Kauai Electric in rebuilding its system in the aftermath of this natural disaster, and the levels of funding for such programs in FY 83 and FY 84 as proposed.

37. Hydrogen Funding

The use of hydrogen, which can be generated using renewable energy resources, has been proposed as an alternative to our Nation's dependence on petroleum-based fuels. Please provide descriptions of, and levels of funding of for, any Department of Energy research and development programs to explore or advance the use of hydrogen as an alternate fuel, as proposed in the FY 84 budget.

38. Advanced Batteries

Please provide descriptions and levels of funding for any research projects to develop advanced batteries i FY 83 and FY 84.

39. Short Rotation Woody Crops Program

What is the status of the Short Rotation Woody Crops Program in the Biomass Energy Technology Division under the proposed FY 84 budget, compared to FY 83?

FOLLOW-UP QUESTIONS AND ANSWERS

relating to the

FEBRUARY 1, 1983, HEARING

before the

COMMITTEE ON ENERGY AND NATURAL RESOURCES

UNITED STATES SENATE

WITNESS: SECRETARY HODEL

1. Within Departmental Administration the Fiscal Year 1984 budget estimates increased revenues relative to Fiscal Year 1983. Would you provide a detailed comparison of revenues within this account since Fiscal Year 1982? In light of past experiences with overestimated revenues which later necessitated reprogramming requests to offset shortages, would you explain your reasons for believing that this will not occur again?

Answer: I am informed that the following table provides a detailed listing of miscellaneous revenues by program category for FY 1982 through FY 1984:

Miscellaneous Revenues
($'s in 000)

Category	FY 1982 Appropriation	FY 1983 Appropriation	FY 1984 Estimate
Products Sold			
Special Reactor Materials	$ 5,545	$ 7,240	$ 7,240
Radioisotopes	6,581	6,077	6,803
Stable Isotopes	4,290	5,530	6,307
Miscellaneous	4,784	17,894	22,154
Subtotal, Products	$ 21,200	$ 36,741	$ 42,504
Services Provided			
Use of Facilities	$ 1,700	$ 7,388	$ 3,136
Irradiation & Test Reactor Experiments	736	3,590	2,895
Special Services & Fabrications	164	1,255	1,499
Public Health & Safety Research	3,588	5,131	5,485
Other Miscellaneous	39,657	68,814	79,770
Subtotal, Services	$ 45,845	$ 86,178	$ 92,735
Other Revenue Items			
Nuclear Materials	$ 13,373	$ 5,490	$ 4,625
Nuclear Products	250	400	400
Lease of Materials	55	55	55
Recovery of Nuclear Materials	10,915	12,201	13,500
Lease of Lands	7,700	2,500	0
Sale of Timber	250	34	40
Sale of Steam	42,800	31,300	55,000
Miscellaneous Activities	312	642	760
Subtotal Others	$ 75,655	$ 52,622	$ 74,380
Totals	$142,700 [1]	$175,541	$209,619

[1] Excludes $25.2 million in 1982 and $25.0 million in 1983 for Uranium Enrichment Services Comparability transfer.

The Department's FY 1984 request of $209,619,000 in Miscellaneous Revenues, as in prior years, represents our best estimate of the total revenues expected to be earned for the year. The Department does not have control over the actual amounts of revenue earned because the revenues are based on requests for DOE products and services from outside sources. Natural variations occur between estimated and actual revenues according to increases and decreases in demand.

In the past our budget requests represented the unadjusted total revenue estimates developed by our field offices that provided the products and services outside the Department. Beginning with FY 1984, to improve the accuracy of revenue estimates, headquarters program offices were requested to review and validate all field office revenue estimates before they were incorporated into this year's budget. We believe this added review will improve the accuracy of this projection.

2. The Fiscal Year 1984 budget proposes reduction in staffing (FTE's) within the Department. Would you supply a comparison between Fiscal Year 1983 and 1984 proposed staffing by assistant secretary and by appropriations account, at the program level? Would you identify applicable legislative restrictions and any proposed changes in such restrictions? Would you also distinguish between headquarters and field operations, within these figures?

Answer: The comparison of proposed staffing between Fiscal Year 1983 and 1984 is displayed in a series of statistical tables which are attached. These tables also distinguish between headquarters and field operations.

Three legislative acts contain restrictions on employment. Section 303 of the Supplemental Appropriations Act for Fiscal Year 1982 requires the Department to maintain a minimum number of full-time permanent employees in certain programs and organizations. The Continuing Resolution for FY 1983 prohibits the use of funds or authority made available to the Department by the Joint Resolution or any other Act to be used for any action which would result in a significant reduction of the employment levels for any program or activity below the employment levels in effect on September 30, 1982. Section 311 of the Department of the Interior and Related Agencies Appropriations Act for Fiscal Year 1983 specifies that employment funded by the Act shall not be subject to any personnel ceiling or other personnel restriction for permanent or other than permanent employment except as provided by law.

The Administration has proposed in Section 106 of the General Provisions in the Detailed Budget Estimates for Department of Energy Activities and in the General Provisions of the section on Supplementals and Rescissions for the Department of Energy that the statutory language requiring the maintenance of a specified number of full-time permanent Federal employees and the language prohibiting actions to reduce employment levels or otherwise establish requirements for personnel levels for the Department or any of its offices or programs or activities be repealed. Copies of these provisions are attached for your convenience.

ATTACHMENT TO QUESTION 2

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

OPO/PROG-01

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
161.0	DEFENSE PROGRAMS	2,249	2,323	2,288	2,376	2,402	2,492
162.0	ENERGY RESEARCH	359	379	358	382	341	367
163.0	ENVIRONMENTAL PROTECTION	568	598	483	524	477	506
164.0	NUCLEAR ENERGY	618	635	601	634	624	658
165.0	FOSSIL ENERGY	1,058	1,140	738	798	561	591
166.0	CONSERVATION & RENEWABLE	509	532	391	406	204	210
167.0	FEDERAL ENERGY REGULATORY COMMISSION	1,522	1,594	1,636	1,670	1,701	1,742
168.0	ECONOMIC REGULATORY ADMINISTRATION	677	694	374	396	146	146
350.0	HEARINGS & APPEALS	73	78	111	124	110	115
390.0	ENERGY INFORMATION ADMINISTRATION	515	543	450	480	457	488
400.0	POWER ADMINISTRATIONS	4,989	5,259	4,822	5,156	5,005	5,345
627.0	TECHNICAL INFORMATION	193	219	157	167	160	170
699.0	DEPARTMENTAL ADMINISTRATION	3,644	3,939	3,286	3,567	2,768	2,982
803.0	ADVANCES FOR COOP WORK	2	2	2	2	2	2
991.0							
992.0	DOE TOTAL/FY84 REQUEST	16,879	17,945	15,631	16,692	14,958	15,798
993.0	LESS DIFFERENCE						
994.0							
995.0	OMB ALLOWANCE/GUIDANCE	16,879	17,945	15,631	16,692	14,958	15,798

FY 1984 DOE CONGRESSIONAL BUDGET
MANPOWER CONTROL BRANCH
JANUARY 24, 1983

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

DOE SUPP-A2

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
422.0	HEADQUARTERS STAFF	2,862	3,072	2,366	2,617	2,112	2,219
422.5	HEADQUARTERS PROGRAMS	2,011	2,098	1,731	1,832	1,610	1,691
425.0	(HEADQUARTERS)	1,992	2,070	1,715	1,816	1,593	1,674
427.0	(FIELD)	19	28	16	16	17	17
478.0	FEDERAL ENERGY REG COMMISSION	1,522	1,594	1,636	1,678	1,701	1,742
479.0							
479.2	HEADQUARTERS SUBTOTAL	6,395	6,756	5,733	6,127	5,423	5,652
479.4							
500.0	POWER ADMINISTRATIONS	4,909	5,259	4,823	5,156	5,005	5,345
560.0	OPERATIONS OFFICES	4,219	4,446	3,947	4,190	3,564	3,777
590.0	SPECIAL PURPOSE OFFICES	1,356	1,484	1,128	1,209	966	1,024
591.0							
592.0	FIELD SUBTOTAL	10,484	11,189	9,898	10,555	9,535	10,146
593.0							
594.0	DOE TOTAL/FY84 REQUEST	16,879	17,945	15,631	16,682	14,958	15,798
995.0	LESS DIFFERENCE						
997.0							
998.0	ALLOWANCE/GUIDANCE	16,879	17,945	15,631	16,682	14,958	15,798

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

APM-SUMMARY-83

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
600.0	DOE APPROPRIATION SUMMARY:						
630.0	10XXXX ENERGY SUPPLY R & D	1,199	1,270	1,030	1,109	914	968
630.2	ESRD HEADQUARTERS	844	881	716	776	594	629
630.4	ESRD FIELD	355	389	314	333	320	339
640.0	15XXXX URANIUM ENRICHMENT	119	126	67	67	69	69
640.2	UE HEADQUARTERS	59	60	56	56	58	58
640.4	UE FIELD	60	66	11	11	11	11
649.0	20XXXX GENERAL SCIENCE & RESEARCH	29	30	30	32	33	35
670.0	25XXXX ATOMIC ENERGY DEF ACTIVITIES	2,441	2,520	2,491	2,585	2,609	2,705
670.2	AEDA HEADQUARTERS	423	439	453	473	484	504
670.4	AEDA FIELD	2,018	2,081	2,038	2,112	2,125	2,201
700.0	30XXXX DEPARTMENTAL ADMINISTRATION	3,644	3,939	3,206	3,567	2,768	2,982
700.2	DA HEADQUARTERS	2,082	2,236	1,615	1,821	1,445	1,525
700.4	DA FIELD	1,562	1,703	1,591	1,746	1,323	1,457
702.0	34XXXX ALASKA PA	36	43	32	36	34	38
703.0	36XXXX BONNEVILLE PA	3,413	3,637	3,312	3,542	3,425	3,651
704.0	38XXXX SOUTHEASTERN PA	37	38	38	39	40	41
705.0	42XXXX SOUTHWESTERN PA	157	189	166	190	168	192
705.5	WESTERN AREA PA	1,266	1,352	1,274	1,349	1,338	1,423
706.0	46XXXX WAPA POWER MARKETING	1,060	1,132	1,066	1,129	1,128	1,201
707.0	50XXXX WAPA COLORADO RIVER BASIN	206	220	208	220	210	222
720.0	52XXXX FED ENERGY REGULATORY COMM	1,522	1,594	1,636	1,678	1,701	1,742
723.0	54XXXX NUCLEAR WASTE DISPOSAL FUND			28	29	89	96
723.2	NWDF HEADQUARTERS			14	15	75	82
723.4	NWDF FIELD			14	14	14	14
739.0	56XXXX GEOTHERMAL RESOURCES DEV FUND	3	3	2	2	2	2
750.0	65XXXX FOSSIL ENERGY R & D	1,054	1,140	738	790	561	591
750.2	FERD HEADQUARTERS	229	234	131	135	125	130
750.4	FERD FIELD	825	906	607	655	436	461
753.0	70XXXX NAVAL PETROL & OIL SHALE RES	98	105	117	117	120	120
753.2	NPOSR HEADQUARTERS	23	23	25	25	26	26
753.4	NPOSR FIELD	75	82	92	92	94	94
770.0	75XXXX ENERGY CONSERVATION	313	329	273	280	123	128
770.2	EC HEADQUARTERS	216	227	168	175	73	78
770.4	EC FIELD	97	102	105	105	50	50
780.0	80XXXX EMERG PREP & ENERGY REG	849	886	562	591	326	333
780.2	EPER HEADQUARTERS	459	492	393	415	306	313
780.4	EPER FIELD	390	394	169	176	20	20
783.0	85XXXX STRATEGIC PETROL RESERVE	178	199	176	197	179	200
783.2	SPR HEADQUARTERS	52	55	43	47	44	48
783.4	SPR FIELD	126	144	133	150	135	152
800.0	90XXXX ENERGY INFO ACTIVITIES	515	543	450	480	457	480
800.2	EIA HEADQUARTERS	496	523	434	464	440	463
800.4	EIA FIELD	19	20	16	16	17	17
810.0	94XXXX ADVANCES FOR COOP WORK	2	2	2	2	2	2
988.0							
989.0	TOTAL DOE APPROPRIATIONS	16,979	17,945	15,631	16,682	14,958	15,798
993.0	LESS DIFFERENCE						
995.0							
998.0	OMB ALLOWANCE/GUIDANCE	16,979	17,945	15,631	16,682	14,959	15,798

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

COMP SUMMARY-A4

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
11.0	ENERGY AND WATER DEVELOPMENT SUBCOM:						
12.0	HEADQUARTERS	4,962	5,243	4,526	4,853	4,392	4,577
13.0	FIELD	8,906	9,500	8,789	9,374	8,800	9,369
18.0							
19.0	SUBTOTAL	13,868	14,743	13,315	14,227	13,192	13,946
20.0							
21.0	INTERIOR SUBCOMMITTEE:						
22.0	HEADQUARTERS	1,475	1,554	1,194	1,261	1,014	1,058
23.0	FIELD	1,536	1,648	1,122	1,194	752	794
28.0							
29.0	SUBTOTAL	3,011	3,282	2,316	2,455	1,766	1,852
30.0							
31.0	TOTAL DEPARTMENT OF ENERGY:						
32.0	HEADQUARTERS	6,437	6,797	5,720	6,114	5,406	5,635
33.0	FIELD	10,442	11,148	9,911	10,568	9,552	10,163
38.0							
39.0	TOTAL FY84 REQUEST	16,879	17,945	15,631	16,682	14,958	15,798
40.0							
993.0	LESS DIFFERENCE						
994.0							
998.0	OMB ALLOWANCE/GUIDANCE	16,879	17,945	15,631	16,682	14,958	15,798

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

APN-ESRDBUE-A5

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
601.0	10XXXX ENERGY SUPPLY R & D:						
603.0	101707 CE-SOLAR PROGRAM DIRECTION	131	135	87	88	44	45
605.0	102107 CE-GEOTHERMAL	25	25	24	25	10	10
607.0	102307 CE-ELECTRIC ENERGY SYSTEMS	10	10			2	2
608.0	102407 CE-ENERGY STORAGE SYSTEMS	17	17			4	4
610.0	103104 NE-CONVERTER REACTOR	27	28	14	15	15	15
611.0	103204 NE-COMM NUCL WASTE	51	51	12	12	8	8
611.2	103204 HEADQUARTERS	39	39	12	12	8	8
611.4	103204 FIELD	12	12				
612.0	103304 NE-REMEDIAL ACTION	13	13	16	19	16	16
613.0	103404 NE-NUCLEAR FUEL CYCLE	15	19	21	21	21	21
614.0	103504 NE-ADV NUCLEAR SYST	19	20	20	21	18	19
615.0	103604 NE-BREEDER REACTOR	142	147	194	204	161	171
615.2	103604 HEADQUARTERS	80	84	126	133	88	95
615.4	103604 FIELD	63	63	68	71	73	76
617.0	104103 EP-OVERVIEW & ASSESS	141	143	59	111	90	95
618.0	104202 ER-BIOLOGICAL & ENV RESEARCH	144	155	135	151	135	147
618.2	104202 HEADQUARTERS	57	60	50	56	48	54
618.4	104202 FIELD	87	95	85	95	87	93
620.0	105102 ER-MAGNETIC FUSION	64	68	67	71	67	71
622.0	106102 ER-BASIC ENERGY SCIENCES	50	53	54	60	58	62
623.0	106202 ER-ENERGY OVERSIGHT	45	52	42	48	40	44
625.0	106402 ER-HEAVY ION FUSION						
626.0	1071XX POLICY & MANAGEMENT	102	115	84	96	65	68
626.1	107102 ER-P&M	19	21	18	20	8	8
626.3	107103 EP-P&M	43	47	21	28	18	19
626.5	107104 NE-P&M	31	34	34	37	20	22
626.7	107107 CE-P&M	10	13	13	11	19	19
627.0	108124 MA-TECHNICAL INFORMATION	193	219	151	167	160	170
628.0							
629.0	TOTAL ESRD	1,199	1,270	1,030	1,109	914	968
630.0							
631.0	15XXXX URANIUM ENRICHMENT:						
632.0	150104 NE-URANIUM ENRICH ACT	62	65	57	57	59	59
632.2	150104 HEADQUARTERS	43	43	46	46	48	48
632.4	150104 FIELD	15	22	11	11	11	11
633.0	150204 NE-ADV ISOTOPE SEP TECH	10	11	10	10	10	10
634.0	150304 NE-URANIUM RESOURCE ASSESS	47	50				
634.2	150104 HEADQUARTERS	6	6				
634.4	150104 FIELD	41	44				
639.0							
640.0	TOTAL UE	119	126	67	67	69	69

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

APN-GSPBAEDA-A6

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
641.0	20XXXX GENERAL SCIENCE & RESEARCH:						
643.0	200202 ER-HIGH ENERGY PHYSICS						
644.0	200302 ER-NUCLEAR PHYSICS						
645.0	200402 ER-GEN SCI PROG DIR	29	30	30	32	33	35
648.0							
649.0	TOTAL GSR	29	30	30	32	33	35
650.0							
651.0	25XXXX ATOMIC ENERGY DEFENSE ACTIVITIES:						
652.0	250101 DP-WEAPONS RD&T	164	166	172	172	173	173
652.2	250101 HEADQUARTERS						
652.4	250101 FIELD	164	166	172	172	173	173
653.0	250201 DP-WEAPONS INERT CONF FUSION						
654.0	250301 DP-WEAPONS PROD & SURV	598	601	629	635	677	689
654.2	250301 HEADQUARTERS						
654.4	250301 FIELD	598	601	629	635	677	689
655.0	250401 DP-WEAPONS PROG DIR	832	872	806	848	848	888
655.2	250401 HEADQUARTERS	115	123	121	128	130	137
655.4	250401 FIELD	717	749	685	720	718	751
657.0	251101 DP-VERIF & CONTROL TECH	36	38	45	53	56	60
659.0	252101 DP-MATERIALS PRODUCTION	254	272	291	311	311	333
659.2	252101 HEADQUARTERS	34	36	44	45	53	54
659.4	252101 FIELD	220	236	247	266	258	279
661.0	253101 DP-DEFENSE NUCLEAR WASTE	176	185	156	164	141	149
661.2	253101 HEADQUARTERS	34	37	36	40	37	41
661.4	253101 FIELD	142	148	120	124	104	108
663.0	254101 DP-NUCL MATLS SEC & SAFEGDS	185	189	189	193	196	200
663.2	254101 HEADQUARTERS	137	141	139	143	142	146
663.4	254101 FIELD	48	48	50	50	54	54
665.0	256104 NE-NAVAL REACTORS DEV	196	197	203	209	207	213
665.2	256104 HEADQUARTERS	63	64	64	64	66	66
665.4	256104 FIELD	133	133	139	145	141	147
669.0							
670.0	TOTAL AEDA	2,441	2,520	2,491	2,585	2,609	2,705

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

CA,FAS,FERC-87

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
671.0	30XXXX DEPARTMENTAL ADMINISTRATION:						
672.0	300134 OFFICE OF THE SECRETARY	15	27	23	24	19	20
674.0	301107 CI-POWER MKTG GENERAL MGT	14	14	8	9	8	10
676.0	301120 POLICY PLANNING & ANALYSIS	103	116	65	80	35	35
678.0	301122 INTERNATIONAL AFFAIRS	77	86	35	54	30	35
680.0	301124 MANAGEMENT & ADMINISTRATION	1,232	1,304	994	1,104	900	950
682.0	301126 GENERAL COUNSEL	360	373	223	241	216	226
684.0	301128 INSPECTOR GENERAL	146	153	151	159	172	180
686.0	301130 CONGRESS INTERGOV & PA	121	149	95	130	47	50
688.0	301132 BOARD OF CONTRACT APPEALS	5	8	6	8	6	8
690.0	301136 MINORITY ECONOMIC IMPACT	5	6	11	12	11	11
691.0	OPERATIONS OFFICES	1,563	1,703	1,587	1,746	1,323	1,457
692.0	301142 CHICAGO OO	379	402	359	395	261	288
693.0	301143 IDAHO OO	170	185	212	234	175	193
694.0	301145 OAK RIDGE OO	528	548	484	532	453	494
695.0	301146 RICHLAND OO	240	286	270	297	235	262
696.0	301147 SAN FRANCISCO OO	245	282	262	288	199	220
697.0	301148 SAVANNAH RIVER OO						
698.0							
699.0	TOTAL DEPARTMENTAL ADMINISTRATION	3,644	3,939	3,206	3,567	2,768	2,982
700.0							
701.0	POWER ADMINISTRATIONS:						
702.0	340107 APA-ALASKA PA	36	43	33	36	34	38
703.0	360107 BPA-BONNEVILLE PA	3,413	3,637	3,313	3,542	3,425	3,651
704.0	380107 SEPA-SOUTHEASTERN PA	37	38	38	39	40	41
705.0	420107 SWPA-SOUTHWESTERN PA	157	189	166	190	169	192
706.0	460107 WAPA-WESTERN AREA POWER MARKET	1,058	1,132	1,066	1,129	1,128	1,201
707.0	500107 WAPA-COLORADO RIVER BASIN	208	220	206	220	210	222
708.0							
709.0	TOTAL PA	4,909	5,259	4,822	5,156	5,005	5,245
710.0							
711.0	FEDERAL ENERGY REGULATORY COMM:						
713.0	520009 FERC	1,522	1,594	1,636	1,678	1,701	1,742
719.0							
720.0	TOTAL FERC	1,522	1,594	1,636	1,678	1,701	1,742

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

NWDF,GRDF,FERD-AR

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
721.0	54XXXX NUCLEAR WASTE DISPOSAL FUND:						
723.0	540104 NE-NWDF			28	29	89	96
723.2	540104 HEADQUARTERS			14	15	75	82
723.4	540104 FIELD			14	14	14	14
728.0							
729.0	TOTAL NWDF			28	29	89	96
730.0							
731.0	56XXXX GEOTHERMAL RESOURCES DEV FUND:						
733.0	560107 CE-GEOTHERMAL RESOURCES DEV	3	3	2	2	2	2
738.0							
739.0	TOTAL GRDF	3	3	2	2	2	2
740.0							
741.0	65XXXX FOSSIL ENERGY R&D:						
743.0	651705 FE-COAL	834	896	575	612	510	537
743.2	651705 HEADQUARTERS	190	193	119	122	116	119
743.4	651705 FIELD	644	703	456	490	394	418
745.0	652505 FE-PETROLEUM	200	220	140	153	32	35
745.2	652505 HEADQUARTERS	28	30	9	10	7	9
745.4	652505 FIELD	172	190	131	143	25	26
747.0	653205 FE-GAS	24	24	23	25	19	19
747.2	653205 HEADQUARTERS	11	11	3	3	2	2
747.4	653205 FIELD	13	13	20	22	17	17
749.0							
750.0	TOTAL FERD	1,058	1,140	738	790	561	591

29 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

NPR,EC,EP,SPR-A9

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
751.0	70XXXX NAVAL PETROL & OIL SHALE RES:						
753.0	761103 EP-NAVAL PETROLEUM RESERVES	98	105	111	117	120	120
753.2	761103 HEADQUARTERS	23	23	29	25	26	26
753.4	761103 FIELD	75	82	82	92	94	94
758.0							
759.0	TOTAL NPOSR	98	105	111	117	120	120
760.0							
761.0	75XXXX ENERGY CONSERVATION:						
763.0	750107 CE-BUILD & COMMU SYST						
765.0	750307 CE-TRANSPORTATION						
766.0	750407 CE-STATE & LOCAL	150	156	142	145	65	65
766.2	750407 HEADQUARTERS	53	54	36	40	15	15
766.4	750407 FIELD	97	102	106	105	50	50
767.0	750507 CE-MULTI-SECTOR						
767.5	750607 CE-ENERGY CONS RESEARCH	163	173	130	135	58	63
768.0							
769.0	TOTAL EC	313	329	272	280	123	128
770.0							
771.0	80XXXX EMERG PREPAREDNESS & ENERGY REG:						
772.0	800103 EP-EMERGENCY PREPAREDNESS	100	104	69	71	70	72
773.0	800210 ERA-FUELS CONVERSION	65	65	46	40		
774.0	800310 ERA-COMPLIANCE	549	562	282	304	120	120
774.2	800310 HEADQUARTERS	159	168	114	128	100	100
774.4	800310 FIELD	390	394	168	176	20	20
775.0	800410 ERA-PETROLEUM OPERATIONS	39	40	37	37	15	15
776.0	800710 ERA-POLICY & MANAGEMENT	24	27	10	15	11	11
777.0	800011 HG-HEARINGS & APPEALS	72	88	119	124	110	115
778.0							
779.0	TOTAL EPER	849	886	563	591	326	333
780.0							
781.0	85XXXX STRATEGIC PETROLEUM RESERVE:						
783.0	850103 EP-STRATEGIC PETROL RESERVE	178	199	176	197	179	200
783.2	850103 HEADQUARTERS	52	55	43	47	44	48
783.4	850103 FIELD	126	144	133	150	135	152
789.0							
790.0	TOTAL SPR	178	199	176	197	179	200

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

APN-EIA8ACW-A10

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
791.0	90XXXX ENERGY INFORMATION ACTIVITIES:						
793.0	900112 EIA-COLL, PROD, ANALYSIS	389	402	367	391	374	391
793.2	900112 HEADQUARTERS	370	382	351	375	357	374
793.4	900112 FIELD	19	20	16	16	17	17
794.0	900212 EIA-PROGRAM SERVICES	86	95	53	58	53	58
795.0	900312 EIA-POLICY & MANAGEMENT	40	46	30	31	30	31
798.0							
799.0	TOTAL EIA	515	543	450	480	457	480
800.0							
801.0	94XXXX ADVANCES FOR COOP WORK:						
803.0	940146 RDU-ADVANCES FOR COOP WORK	2	2	3	2	2	3
803.4	940146 FIELD	2	2	3	2	2	3
809.0							
810.0	TOTAL ACW	2	2	3	2	2	3

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

DOE NO STAFF-01

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
401.0	POLICY & COUNSEL:						
403.0	300134 OFFICE OF THE SECRETARY	15	27	22	20	19	20
405.0	301120 POLICY PLANNING & ANAL	107	116	69	90	35	35
407.0	301122 INTERNATIONAL AFFAIRS	77	86	35	50	30	35
409.0	301126 GENERAL COUNSEL	368	373	222	241	216	226
410.0	GC HEADQUARTERS	295	312	220	234	216	226
411.2	GC ALBUQUERQUE OO	23	33				
411.3	GC CHICAGO OO	17	17	1	1		
411.4	GC IDAHO OO	2	3				
411.7	GC RICHLAND OO	2	2				
411.8	GC SAN FRANCISCO OO	9	9				
411.9	GC SAVANNAH RIVER OO	7	7	2	2		
413.0	301128 INSPECTOR GENERAL	146	153	151	159	172	180
413.1	301130 CONGRESS INTERGOV & PA	111	149	95	130	47	50
414.0	301132 BOARD OF CONTRACT APPEALS	5	8	6	8	6	8
415.0	301136 MINORITY ECONOMIC IMPACT	8	6	11	12	11	11
416.0							
417.0	SUBTOTAL	836	918	611	708	536	565
418.0	520909 FEDERAL ENERGY REGULATORY COMM	1,522	1,594	1,636	1,678	1,701	1,742
419.0							
420.0	TOTAL	2,358	2,512	2,252	2,386	2,237	2,307

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

DP-EEF PROGS-02

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
241.0	DEFENSE PROGRAMS:						
242.0	WEAPONS ACTIVITIES	1,594	1,639	1,607	1,655	1,698	1,750
243.0	250101 WEAPONS RD&T	164	166	172	172	173	173
243.1	WRD DP HEADQUARTERS						
243.2	WRD ALBUQUERQUE OO	157	159	165	165	165	165
243.4	WRD SAN FRANCISCO OO	7	7	7	7	8	8
245.0	250201 WEAPONS INERT CONF FUSION						
246.0	250301 WEAPONS PROD & SURV	598	601	629	635	677	689
246.1	WPS DP HEADQUARTERS						
246.2	WPS ALBUQUERQUE OO	562	565	583	597	636	648
246.4	WPS OAK RIDGE OO	28	28	28	28	31	31
246.6	WPS SAVANNAH RIVER OO	8	8	18	10	10	10
247.0	250401 WEAPONS PROG DIR	832	872	806	848	848	888
247.2	WPD DP HEADQUARTERS	119	123	121	128	130	137
247.4	WPD ALBUQUERQUE OO	481	508	448	473	469	490
247.6	WPD NEVADA OO	232	241	237	247	249	261
249.0	251101 VERIF & CONTR TECH	36	38	45	53	56	60
251.0	252101 MATERIALS PROD	254	272	291	311	311	333
251.1	PP DP HEADQUARTERS	34	36	44	45	53	55
251.7	PP RICHLAND OO			3	2	2	1
251.9	PP SAVANNAH RIVER OO	220	236	244	264	256	277
253.0	253101 DEFENSE NUCLEAR WASTE	176	185	156	164	141	149
253.1	DNW DP HEADQUARTERS	34	37	36	40	37	41
253.4	DNW IDAHO OO	142	148	120	124	104	108
255.0	254101 NUCL MATLS SEC & SAFEGDS	185	189	181	193	196	200
255.1	NMSS DP HEADQUARTERS	137	141	131	143	142	146
255.3	NMSS CHICAGO OO	48	48	50	50	54	54
255.6	NMSS OAK RIDGE OO						
256.0							
256.3	SUBTOTALS	2,245	2,323	2,280	2,376	2,402	2,492
257.0	257101 POLICY & MANAGEMENT						
257.2	GENERAL MANAGEMENT						
257.4	PROGRAM SUPPORT						
258.0							
259.0	TOTAL DEFENSE PROGRAMS	2,245	2,323	2,280	2,376	2,402	2,492
260.0							
421.0	ORGANIZATIONS:						
423.0	HEADQUARTERS	360	375	377	409	418	438
431.0	ALBUQUERQUE OO	1,200	1,232	1,196	1,235	1,270	1,303
432.0	CHICAGO OO	48	48	50	50	54	54
433.0	IDAHO OO	142	148	120	124	104	108
434.0	NEVADA OO	232	241	237	247	249	261
435.0	OAK RIDGE OO	28	28	28	28	31	31
436.0	RICHLAND OO			3	2	2	2
437.0	SAN FRANCISCO OO	7	7	7	7	8	8
438.0	SAVANNAH RIVER OO	228	244	262	274	266	287
459.0							
460.0	TOTAL	2,245	2,323	2,280	2,376	2,402	2,492

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

CR-ENERGY RES-03

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
261.0	ENERGY RESEARCH:						
263.0	104202 BIOLOGICAL & ENV RESEARCH	144	155	135	151	139	147
263.1	BLR LR HEADQUARTERS	57	60	50	56	52	54
263.3	BLP CHICAGO 09	87	95	85	95	87	93
265.0	105102 MAGNETIC FUSION	64	68	67	71	67	71
267.0	SUPPORTING RESEARCH	99	105	91	108	98	106
268.0	106102 BASIC ENERGY SCIENCES	58	53	49	60	58	62
269.0	106202 ENERGY RESEARCH ANAL & UNIV	41	52	42	48	40	44
270.0	106402 HEAVY ION FUSION RESEARCH						
271.0	BASIC SCIENCES	25	28	30	32	33	35
272.0	200202 HIGH ENERGY PHYSICS						
273.0	200302 NUCLEAR PHYSICS						
273.5	200402 GEN SCI PROG DIR	25	28	30	32	33	35
274.0							
275.0	SUBTOTALS	336	358	322	362	333	359
276.0	107102 POLICY & MANAGEMENT	19	21	14	20	8	8
277.0	GENERAL MANAGEMENT	6	6	4	6	6	6
278.0	PROGRAM SUPPORT	13	15	10	14	2	2
279.0							
280.0	TOTAL ENERGY RESEARCH	355	379	336	382	341	367
420.0							
421.0	ORGANIZATIONS:						
423.0	HEADQUARTERS	268	284	261	287	254	274
432.0	CHICAGO 00	87	95	75	95	87	93
459.0							
460.0	TOTAL	355	379	336	382	341	367

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

EP-ENVIRON PR-04

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
291.0	ENVIRONMENTAL PROTECTION:						
293.0	100103 ENV OVERVIEW & ASSESS	141	143	99	111	90	95
295.0	701103 PETROLEUM RESERVES	98	105	117	117	120	120
295.1	PR LP HEADQUARTERS	22	23	25	25	26	26
295.3	PR ELK HILLS	65	72	76	76	77	77
295.5	PR CASPER	10	10	16	16	17	17
295.7	PR RIFLE						
297.0	800103 EMERGENCY PREPAREDNESS	100	104	69	71	70	72
299.0	850103 SPRO	178	199	176	197	179	200
299.1	SPRO LP HEADQUARTERS	52	55	42	47	44	48
299.5	SPRO FIELD	126	144	132	150	135	152
303.0							
304.0	SUBTOTALS	517	551	461	496	459	487
365.0	107103 POLICY & MANAGEMENT	43	47	21	28	18	19
366.0	GENERAL MANAGEMENT	8	8	8	8	8	8
367.0	PROGRAM SUPPORT	35	39	13	20	10	11
308.0							
309.0	TOTAL ENVIRONMENTAL	560	598	482	524	477	506
420.0							
421.0	ORGANIZATIONS:						
423.0	HEADQUARTERS.	307	317	216	235	204	212
424.0	SPRO HEADQUARTERS	52	55	42	47	44	48
426.0	SPRO FIELD	126	144	132	150	135	152
451.0	NPR ELK HILLS	65	72	76	76	77	77
452.0	NPR CASPER	10	10	16	16	17	17
453.0	NPR RIFLE						
459.0							
460.0	TOTAL	560	598	482	524	477	506

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

NE-NUCLEAR EN-05

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
171.0	NUCLEAR ENERGY:						
173.0	103104 CONV REACTOR SYSTEMS	27	28	14	15	15	15
175.0	103204 COMM NUCL WASTE	51	51	12	12	8	8
175.1	CNW HQ HEADQUARTERS	39	39	12	12	8	8
175.3	CNW CHICAGO OO	12	12				
176.0	103304 REMEDIAL ACTION	13	13	16	19	16	16
177.0	103404 NUCLEAR FUEL CYCLE	19	19	21	21	21	21
179.0	103504 ADV NUCLEAR SYSTEMS	17	20	26	21	18	19
181.0	103604 BREEDER REACTOR SYSTEMS	143	147	184	204	161	171
181.1	BRS HQ HEADQUARTERS	80	94	126	133	88	95
181.4	BRS IDAHO OO						
181.6	BRS OAK RIDGE OO	24	24	36	37	40	41
181.7	BRS RICHLAND OO	25	29	22	34	33	35
183.0	URANIUM RESOURCES & ENRICH	119	126	67	67	69	69
185.0	150104 URANIUM ENRICHMENT	62	65	57	57	59	59
185.1	UE HQ HEADQUARTERS	43	43	46	46	48	48
185.6	UE OAK RIDGE OO	19	22	11	11	11	11
187.0	150204 ADV ISOTOPE SEP TECH	10	11	10	10	10	10
189.0	150304 URANIUM RESOURCE ASSESSMENT	47	50				
189.1	URA HQ HEADQUARTERS	6	6				
189.4	URA IDAHO OO	41	44				
191.0	256104 NAVAL REACTORS DEV	196	197	202	209	207	213
191.1	NRD HQ HEADQUARTERS	63	64	64	64	66	66
191.3	NRD PITTSBURGH NRO	75	75	74	78	76	79
191.5	NRD SCHENECTADY NRO	58	58	64	67	65	68
193.0	590104 NUCLEAR WASTE DISPOSAL FUND			28	29	89	96
193.1	NWDF HQ HEADQUARTERS			14	15	75	82
193.3	NWDF CHICAGO OO			14	14	14	14
194.0							
195.0	SUBTOTALS	587	601	572	597	604	628
196.0	107104 POLICY & MANAGEMENT	31	34	33	37	20	22
197.0	GENERAL MANAGEMENT	5	5	12	14	6	6
198.0	PROGRAM SUPPORT	26	29	21	23	14	16
199.0							
200.0	TOTAL NUCLEAR ENERGY	618	635	605	634	624	650
420.0							
421.0	ORGANIZATIONS:						
423.0	HEADQUARTERS	350	371	383	393	385	402
432.0	CHICAGO OO	12	12	14	14	14	14
433.0	IDAHO OO	41	44				
435.0	OAK RIDGE OO	43	46	47	48	51	52
436.0	RICHLAND OO	25	29	22	34	33	35
441.0	PNRO	75	75	74	78	76	79
442.0	SNRO	58	58	64	67	65	68
459.0							
460.0	TOTAL	618	635	605	634	624	650

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

FE-FOSSIL EN-06

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
201.0	FOSSIL ENERGY:						
202.0	651705 COAL	834	896	572	612	510	537
202.1	COAL FE HEADQUARTERS	190	193	115	122	116	119
202.2	COAL BARTLESVILLE ETC	67	78	5	7	5	5
202.3	COAL GRAND FORKS ETC	58	77	28	35	10	10
202.4	COAL LARAMIE ETC	13	15	8	10	2	2
202.5	COAL MORGANTOWN ETC	177	185	172	181	171	181
202.6	COAL PITTSBURGH ETC	329	348	243	257	206	220
204.0	652505 PETROLEUM R&D	200	220	146	153	32	35
204.1	PRD FE HEADQUARTERS	28	30	5	10	7	9
204.2	PRD BARTLESVILLE ETC	56	59	75	87	15	15
204.4	PRD LARAMIE ETC	112	127	48	52	8	8
204.5	PRD MORGANTOWN ETC	4	4	4	4	2	3
206.0	653205 GAS	24	24	22	25	19	19
206.1	GAS FE HEADQUARTERS	11	11	3	3	2	2
206.2	GAS BARTLESVILLE ETC	6	6	8	9	5	5
206.5	GAS MORGANTOWN ETC	7	7	12	13	12	12
207.0							
207.5	SUBTOTALS	1,058	1,140	738	790	561	591
207.7	657105 POLICY & MANAGEMENT						
207.9	GENERAL MANAGEMENT						
208.0	PROGRAM SUPPORT						
208.1	PS FE HEADQUARTERS						
208.2	PS BARTLESVILLE ETC						
208.3	PS GRAND FORKS ETC						
208.4	PS LARAMIE ETC						
208.5	PS MORGANTOWN ETC						
208.6	PS PITTSBURGH ETC						
209.0							
210.0	TOTAL FOSSIL ENERGY	1,058	1,140	738	790	561	591
420.0							
421.0	ORGANIZATIONS:						
423.0	HEADQUARTERS	229	234	131	135	125	130
424.5	BARTLESVILLE ETC	125	143	92	103	25	25
425.0	GRAND FORKS ETC	58	77	28	35	10	10
426.5	LARAMIE ETC	125	142	56	62	10	10
427.5	MORGANTOWN ETC	188	196	188	198	185	196
428.0	PITTSBURGH ETC	329	348	243	257	206	220
459.0							
460.0	TOTAL	1,058	1,140	738	790	561	591

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

CE-CONS&RENEW-07

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
211.0	CONSERVATION & RENEWABLE:						
215.0	101707 SOLAR ENERGY	131	135	83	88	44	45
217.0	102107 GEOTHERMAL/HYDROPOWER	25	25	24	25	10	10
219.0	102307 ELECTRIC ENERGY SYSTEMS	10	10			2	2
220.0	102407 ELECTRIC ENERGY STORAGE	17	17			4	4
221.0	560107 GEOTHERMAL RESOURCES DEV	3	3	2	2	2	2
223.0	CONSERVATION	313	329	272	280	123	128
229.0	750407 STATE & LOCAL ASST	150	156	143	145	65	65
229.1	SLA CE HEADQUARTERS	53	54	38	40	15	15
229.2	SLA ALBUQUERQUE OO	16	16	28	20	10	10
229.3	SLA CHICAGO OO	36	40	41	41	25	25
229.4	SLA IDAHO OO	9	8	10	10	4	4
229.7	SLA RICHLAND OO	7	8	7	7	3	3
229.8	SLA SAN FRANCISCO OO	20	20	15	15	4	4
229.9	SLA SAVANNAH RIVER OO	10	10	12	12	4	4
232.0	750607 ENERGY CONS RESEARCH	163	173	138	135	50	63
233.0							
234.0	SUBTOTALS	495	519	386	395	185	191
235.0	107107 POLICY & MANAGEMENT	10	13	11	11	19	19
236.0	CE ASST SEC GENERAL MGT	5	5	5	5	5	5
237.0	PROGRAM SUPPORT	5	8	6	6	14	14
238.0	301107 CE POWER MKTG GENERAL MGT	14	14	8	9	9	10
239.0							
240.0	TOTAL CONSERVATION & RENEWABLE	523	546	405	415	213	220
420.0							
421.0	ORGANIZATIONS:						
423.0	HEADQUARTERS	426	444	388	310	163	170
431.0	ALBUQUERQUE OO	16	16	28	20	18	18
432.0	CHICAGO OO	36	40	41	41	25	25
433.0	IDAHO OO	8	8	10	10	4	4
436.0	RICHLAND OO	7	8	7	7	3	3
437.0	SAN FRANCISCO OO	20	20	15	15	4	4
438.0	SAVANNAH RIVER OO	10	10	12	12	4	4
459.0							
460.0	TOTAL	523	546	405	415	213	220

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

POWER ADMINS-08

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
391.0	POWER ADMINISTRATIONS:						
392.0	340107 ALASKA PA	36	43	32	36	34	38
393.0	360107 BONNEVILLE PA	3,413	3,637	3,312	3,542	3,425	3,651
394.0	380107 SOUTHEASTERN PA	37	38	38	39	40	41
395.0	420107 SOUTHWESTERN PA	157	189	166	190	168	192
396.0	WESTERN AREA PA	1,266	1,352	1,274	1,349	1,338	1,423
397.0	460107 WAPA POWER MARKET	1,058	1,132	1,066	1,129	1,120	1,201
398.0	500107 COLORADO RIVER BASIN	208	220	208	220	218	222
399.0							
400.0	TOTAL POWER ADMINISTRATIONS	4,909	5,259	4,822	5,156	5,005	5,345

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

RO-EC REG ADM-09

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
351.0	ECONOMIC REGULATORY ADMINISTRATION:						
353.0	E00210 FUELS CONVERSION	65	65	40	40		
355.0	800310 COMPLIANCE	549	562	282	304	120	120
355.1	CPD ERA HEADQUARTERS	159	168	114	128	100	100
355.2	CPD ALBUQUERQUE OO	245	247	143	150	20	20
355.3	CPD CHICAGO OO	59	60	12	13		
355.4	CPD IDAHO OO	6	6				
355.5	CPD SAN FRANCISCO OO	52	53	12	12		
355.9	CPD SAVANNAH RIVER OO	28	28	1	1		
357.0	AC0410 PETROLEUM OPNS	39	40	37	37	15	15
359.0							
361.0	SUBTOTALS	653	667	360	381	135	135
363.0	AC0710 POLICY & MANAGEMENT	24	27	14	15	11	11
365.0	GENERAL MANAGEMENT	14	17	4	5	3	3
367.0	PROGRAM SUPPORT	10	10	10	10	8	8
369.0							
370.0	TOTAL ECON REG ADMIN	677	694	374	396	146	146
420.0							
421.0	ORGANIZATIONS:						
422.0	HEADQUARTERS	287	300	206	220	126	126
431.0	ALBUQUERQUE OO	245	247	143	150	20	20
432.0	CHICAGO OO	59	60	12	13		
433.0	IDAHO OO	6	6				
437.0	SAN FRANCISCO OO	52	53	12	12		
438.0	SAVANNAH RIVER OO	28	28	1	1		
459.0							
460.0	TOTAL	677	694	374	396	146	146

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

FG-PFAR 8 AP-010

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1982 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
341.0	HEARINGS & APPEALS:						
343.0	800011 HEARINGS & APPEALS	72	88	115	124	110	115
349.0							
350.0	TOTAL HEARINGS & APPEALS	72	88	115	124	110	115

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

CI-EN INF AD-011

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
371.0	ENERGY INFORMATION ADMINISTRATION:						
373.0	900112 COLL, PROD, ANALYSIS	385	402	367	391	374	391
373.1	CPA EIA HEADQUARTERS	370	382	351	375	357	374
373.5	CPA DALLAS	15	20	16	16	17	17
375.0	900212 PROGRAM SERVICES	90	95	53	58	53	58
377.0							
379.0	SUBTOTALS	475	497	420	449	427	449
381.0	900312 POLICY & MANAGEMENT	40	46	30	31	30	31
383.0	GENERAL MANAGEMENT	8	8	8	8	8	8
385.0	PROGRAM SUPPORT	32	38	22	23	22	23
387.0							
390.0	TOTAL ENERGY INFO ADMIN	515	543	450	480	457	480

29 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

MA-PGT&ADMIN-012

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
311.0	MANAGEMENT & ADMINISTRATION:						
312.0	301124 GENERAL MANAGEMENT	1,232	1,304	994	1,104	900	950
328.0	106124 TECHNICAL INFO	193	219	157	167	160	170
329.0							
330.0	TOTAL MGT & ADMIN	1,425	1,523	1,151	1,271	1,060	1,120

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

OPS OFFICES-013

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
501.0	OPERATIONS OFFICES:						
502.0	ALBUQUERQUE OPNS OFF	1,484	1,518	1,363	1,405	1,390	1,333
503.0	250001 DP-WEAPONS	1,200	1,232	1,208	1,235	1,270	1,303
503.5	301126 GC-REGIONAL COUNSEL	23	23				
504.0	750407 CE-STATE & LOCAL ASST	16	16	20	20	18	18
506.6	600310 ERA-COMPLIANCE	245	247	142	158	28	28
509.0							
510.0	CHICAGO OPNS OFF	638	674	567	609	441	474
511.0	103204 NE-COMM NUCL WASTE	12	12				
512.0	104202 ER-BIOLOGICAL & ENV RESEARCH	87	95	89	95	87	93
513.0	254101 DP-NUCL MATLS SEC & SAFEGDS	48	48	50	50	54	54
513.5	301126 GC-REGIONAL COUNSEL	17	17	1	1		
514.0	301142 DEPARTMENTAL ADMIN	379	402	395	395	261	288
514.5	540104 NUCLEAR WASTE DISPOSAL			14	14	14	14
515.0	750407 CE-STATE & LOCAL ASST	36	40	41	41	25	25
515.5	600310 ERA-COMPLIANCE	59	60	12	13		
516.0							
517.0	IDAHO OPNS OFF	376	394	342	368	283	305
518.0	103604 NE-BREEDER REACTOR SYSTEMS						
519.0	150304 NE-URANIUM RESOURCE ASSESSMENT	41	44				
519.2	253101 DP-DEFENSE NUCLEAR WASTE	143	148	126	124	104	108
519.5	301126 GC-REGIONAL COUNSEL	3	3				
520.0	301143 DEPARTMENTAL ADMIN	178	185	212	234	175	193
521.0	750407 CE-STATE & LOCAL ASST	8	8	10	10	4	4
521.6	600310 ERA-COMPLIANCE	6	6				
523.0							
524.0	NEVADA OPNS OFF	232	241	237	247	249	261
525.0	250401 DP-WEAPONS PROG DIR	232	241	237	247	249	261
526.0							
529.0	OAK RIDGE OPNS OFF	599	622	555	608	535	577
531.0	103604 NE-BREEDER REACTOR SYSTEMS	24	24	36	37	40	41
532.0	150104 NE-URANUIM ENRICHMENT	19	22	11	11	11	11
533.0	250301 DP-WEAPONS PROD & SURV	28	28	26	28	31	31
534.0	254101 DP-NUCL MATLS SEC & SAFEGDS						
535.0	301145 DEPARTMENTAL ADMIN	528	548	484	532	453	494
536.0							
537.0	RICHLAND OPNS OFF	298	337	312	342	275	304
539.0	103604 NE-BREEDER REACTOR SYSTEMS	39	39	32	34	33	35
540.0	252101 DP-MATERIALS PROD			3	2	2	2
540.5	301126 GC-REGIONAL COUNSEL	2	2				
541.0	301146 DEPARTMENTAL ADMIN	240	246	276	297	235	262
542.0	750407 CE-STATE & LOCAL ASST	7	8	7	7	3	3
543.0	940146 ADV FOR COOP WORK	2	2	2	2	2	2
544.0							
545.0	SAN FRANCISCO OPNS OFF	333	371	296	322	211	232
546.0	250101 DP-WEAPONS R & D	7	7	7	7	8	8
546.5	301126 GC-REGIONAL COUNSEL	9	9				
547.0	301147 DEPARTMENTAL ADMIN	245	282	263	288	199	220
548.0	750407 CE-STATE & LOCAL ASST	20	20	15	15	4	4
548.5	600310 ERA-COMPLIANCE	52	53	12	12		
550.0							
550.1							

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

OPS OFFICES-013

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1982 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
551.0	SAVANNAH RIVER OPNS OFF	273	289	270	289	270	291
552.0	250301 DP-WEAPONS PROD & SURV	8	8	10	10	10	10
553.0	252101 DP-MATERIALS PROD	220	236	245	264	256	277
554.9	301126 GC-REGIONAL COUNSEL	7	7	2	2		
555.0	301140 DEPARTMENTAL ADMIN						
556.0	750407 CE-STATE & LOCAL ASST	10	10	12	12	4	4
556.5	600310 ERA-COMPLIANCE	28	28	1	1		
559.0							
560.0	TOTAL OPERATIONS OFFICES	4,219	4,446	3,941	4,190	3,564	3,777
591.0							
591.5	ORGANIZATIONS:						
592.0	ALBUQUERQUE HOST	1,216	1,248	1,220	1,255	1,280	1,313
592.5	AOO TENANTS	268	270	143	150	20	20
593.0	CHICAGO HOST	562	597	552	595	441	474
593.5	CCO TENANTS	76	77	14	14		
594.0	IDAHO HOST	361	385	342	368	283	305
594.5	IDO TENANTS	9	9				
595.0	NEVADA	232	241	237	247	249	261
596.0	OAK RIDGE	599	622	555	608	535	577
597.0	RICHLAND HOST	288	335	312	342	275	304
597.5	ROO TENANTS	2	2				
598.0	SAN FRANCISCO HOST	272	309	284	310	211	232
598.5	SFOO TENANTS	61	62	12	12		
599.0	SAVANNAH RIVER HOST	238	254	267	286	270	291
599.5	SROO TENANTS	35	35	3	3		
599.9							
600.0	TOTAL	4,219	4,446	3,941	4,190	3,564	3,777

24 JANUARY 1983

DEPARTMENT OF ENERGY
FY 1984 BUDGET STAFFING DISTRIBUTION

SPEC PUR OFF-014

LINE NO		FY 1982 ACTUAL FTP	FY 1982 ACTUAL TOTAL	FY 1983 FTP	FY 1983 TOTAL	FY 1984 FTP	FY 1984 TOTAL
561.0	SPECIAL PURPOSE OFFICES:						
561.5	100124 TECHNICAL INFORMATION	193	219	157	167	160	170
562.0	256104 PITTSBURGH NRO	75	75	75	78	76	79
563.0	256104 SCHENECTADY NRO	58	58	64	67	65	68
564.0	BARTLESVILLE ETC	129	143	92	103	25	25
565.0	651705 BETC COAL	67	78	5	7	5	5
566.0	652505 BETC PETROLEUM	56	59	79	87	15	15
566.2	653205 BETC GAS	6	6	8	9	5	5
566.4	657105 BETC POLICY & MANAGEMENT						
567.0	GRAND FORKS ETC	58	77	28	35	10	10
568.0	651705 GFETC COAL	58	77	28	35	10	10
569.0	657105 GFETC POLICY & MANAGEMENT						
570.0	LARAMIE ETC	125	142	56	62	10	10
571.0	651705 LETC COAL	13	15	8	10	2	2
572.0	652505 LETC PETROLEUM	112	127	48	52	8	8
572.5	657105 LETC POLICY & MANAGEMENT						
573.0	MORGANTOWN ETC	188	196	188	198	185	196
574.0	651705 METC COAL	177	185	172	181	171	181
575.0	652505 METC PETROLEUM	4	4	4	4	2	3
575.2	653205 METC GAS	7	7	12	13	12	12
575.4	657105 METC POLICY & MANAGEMENT						
576.0	PITTSBURGH ETC	329	348	243	257	206	220
577.0	651705 PETC COAL	329	348	243	257	206	220
578.0	657105 PETC POLICY & MANAGEMENT						
582.0	701103 ELK HILLS NPR	65	72	76	76	77	77
583.0	701103 CASPER NPR	10	10	16	16	17	17
584.0	701103 RIFLE NPR						
585.0	650103 SPRO	126	144	133	150	135	152
589.0							
590.0	TOTAL SPEC PURPOSE OFFICES	1,356	1,484	1,128	1,209	966	1,024

3. The FY 1984 budget again proposes to eliminate funding for the state and local energy conservation grants, but does not, as in previous years propose to transfer such functions as the low-income weatherization program into a block grant within another agency (HUD or HHS). Will the Administration be proposing a "federalism" package which assumes that low-income weatherization activities will be continued within another agency?

Answer: Formal action to effect such a transfer is not considered necessary because both HHS and HUD already have overlapping authority to conduct weatherization activities under existing grant programs. The Administration is proposing to eliminate the DOE program as a separate grant program and to continue the HHS and HUD grant programs. The extent of funding by the States will remain a State prerogative, reflecting State and local needs and priorities.

4. In the FY 1982 Supplemental Appropriations, Congress mandated minimum staff levels for a number of program areas within the Department which were budgeted above the President's request, and which were facing massive Administrative RIF's. From the budget materials provided the Committee, it appears as though the Department is not going to satisfy those statutory staff requirements. Would you please explain. (Conservation staff, 352, of which not less than 154 shall be assigned to Conservation R&D, and 180 to state and local programs; Fossil Energy staff, 450; Economic Regulatory Administration staff, 450; Energy Information Administration staff, 490; accept that staff levels can be lowered by requesting a recission or deferral).

Answer: Pending any further Congressional consideration and action on this matter, the Department is required to maintain minimum employment levels for certain programs and offices, and we are taking steps to abide by the Congressional directive. I am informed that our managers are making a concerted effort to reach and maintain the minimum employment levels. Our recruitment activity to date has been fairly successful but is affected by continued attrition. Depending upon the specialized skills required, it often takes a considerable amount of time to establish positions, prepare the recruitment actions, post the notices, complete the competitive selection process and actually get staff on board.

The staffing levels shown in the FY 1983 column of the FY 1984 Budget Request are those levels that we believe are required to manage the programs effectively and efficiently. We have requested the Congress in the Budget Request to repeal the minimum employment levels. But, until the

Congress repeals the minimum employment levels, or enacts appropriations consistent with our budget request, we will continue to be guided by the minimum levels prescribed by the Congress in the FY 1982 Supplemental Appropriation.

5. Shortly after the submission of the FY 1983 budget request last year, OMB issued an amendment to their administrative procedures prohibiting any Federal employee from providing information to the Congress if the information requested assumed appropriations in excess of the President's actual budget request. For example, in fossil and conservation where Congress clearly felt the need to increase funds above the President's request, the Department of Energy was prohibited from discussing with Members or staff, by phone or in writing, any agency capability statement associated with a potential increase in funds. Mr. Secretary, can you tell the Committee whether that OMB directive still applies to DOE and whether again this year we will be unable to obtain such information from your Department?

Answer: The Department of Energy intends to respond completely and promptly to factual and technical information requests from the Congress, including questions concerning the implications of Congressionally-postulated funding alternatives to the President's budget.

OMB Circular No. A-10, revised on March 29, 1982, remains in effect. It is intended, among other matters, to restrain the offering of general and open-ended opinions by agency officials as to how much, and in accordance with what priorities, funds in excess of those requested in the President's Budget could and would be spent in their program areas.

6. Mr. Secretary, in the short time you have been at the Department, your commitment to a strong national energy program and a well managed Department has helped to improve the morale of many DOE personnel. The Office of Conservation and Renewable Energy, however, continues to be a

controversial office since the release of Dr. Maxine Savitz. What are the Department's plans to rename a head of the Conservation R&D Office; will someone be named to that post by this spring?

Answer: The position presently is being filled on a temporary basis. We shall move as expeditiously as possible to fill that vacancy on a permanent basis.

7. Mr. Secretary, in the Continuing Resolution Conference Report the Conferees instructed the Department to complete the safeguards evaluation and demonstration for the Barnwell Facility and phase out the activities by July 31, 1983. No Federal funding is provided for any activities at the Barnwell Plant beyond July 31, 1983. Are you committed to these instructions of the Congress or will activities continue at Barnwell after July 31?

Answer: The Department has requested no FY 1984 funds for work at Barnwell, and we are planning no research or development work at Barnwell after July 31, 1983. We believe it is in the national interest that there be the capability of commercially reprocessing spent fuel. Therefore, we are continuing to examine possible avenues to encourage the operation of the Barnwell plant.

8. On April 21, 1982, the General Accounting Office released another analysis of the State Energy Conservation Program. The GAO study clearly points out that the States' reporting of energy savings based upon their participation in the SECP did not achieve the 1980 goal for energy conservation, that such savings as were reported were overstated and unsupported by fact. The GAO report concludes, in part;

> "The 57 States did not attain their 1980 savings goal of 5.2 quadrillion Btu's. Also, based on our review of savings reported by the six States for 1980, we believe that the 1980 savings of 3.1 quadrillion Btu's reported by the 57 States is significantly overstated and is not a valid measure of actual program progress and effectiveness."

a. Do you believe that the States can properly and effectively manage their role under SECP?

b. The GAO cited a number of specific steps that DOE should take to enhance the strength of the SECP program. Has the Department acted on these GAO proposals?

c. On page 30 of the report, the GAO specifically notes seemingly improper use of SECP funds for salaries and travel advances for non-SECP employees in New York and Indiana. What action has the Department taken to recover these funds?

Answers: a. The States' failure to meet the Congressionally-mandated energy savings targets should not be viewed as inability to manage the program. At least in some respects, the Department believes the targets were unrealistic in assuming the extent of the impact of State regulatory programs on energy consumption independent of basic market forces.

b. Specific action taken by the Department in response to the GAO recommendations is addressed in our formal response to GAO, a copy of which is provided for the record.

c. I am informed that, in the case of the specific criticisms of the use of funds for salaries and travel in New York and Indiana, a routine audit of the program identified and disallowed the costs mentioned. The States were required to repay the disallowed funds.

ATTACHMENT TO QUESTION 8

DOE COMMENTS ON GAO REPORT

"STATE ENERGY CONSERVATION PROGRAM NEEDS REASSESSING"

EMD-82-39

Following are the General Accounting Office (GAO) recommendations to the Secretary of Energy and the Department of Energy's (DOE) related comments.

GAO Recommendation

If the SECP is authorized beyond fiscal year 1982, we recommend that the Secretary of Energy or the head of the successor agency, in cooperation with the States, reassess the scope and future course of the SECP. This reassessment should include efforts to (1) concentrate on program measures of demonstrated effectiveness in reducing energy consumption and (2) assist States in establishing program goals that are realistic and attainable.

During the review and approval of annual State plans and budget, DOE should carefully analyze the program measures to assure that:

--Each program measure and its approach are based on methods of demonstrated cost effectiveness.

--Each program measure's objectives, milestones, and goals for population to be reached, expected compliance and energy savings are realistic and attainable based on overall experience with the particular type of measure and an evaluation of the past accomplishments of each program measure under review.

Based on this analysis, DOE should provide guidance to the States on any changes or improvements needed in the program measure plans, including disapproval of any program measure that DOE considers unable to meet the above assurances.

DOE Comment

DOE concurs with these recommendations and has provided guidance in the past which encourages States to choose the most cost-effective measures whenever possible. It must be emphasized, however, that to be eligible for funding under Public Law 94-163, each State and Territorial Energy Conservation Plan must include five mandatory program measures. This criteria may have resulted in the allocation of a disproportionate share of SECP resources to support activities which will not yield the greatest energy saving within the particular State or Territory. At the same time it should be recognized that the relative cost-effectiveness of various measures changes over time and as a result of differing conditions. A case in point is the matter of Class A versus Class B and C audits, and their relative effectiveness as energy conservation tools. While the report questions the utility of Class B and C audits in the SECP program, other studies (notably, Peter Lazare and Eric Hirst, "Class B Audits as a Residential Conservation Service Option," Public Utilities Fortnightly, May 21, 1981) contend definite usefulness of a least the Class B type. The

DOE staff assigned to the SECP program at this time does not have the capability to make a full and accurate determination in such matters.

We would like to also point out that DOE has made an assessment of SECP's cost effectiveness which does not rely on State-reported energy savings, given the problems which GAO cites within the State's data. (Price Waterhouse and Company "Study of State Energy Conservation Program 1980 Energy Savings Indicators", April 1, 1981). The study shows that SECP has achieved energy savings at a a favorable cost-to-benefit ratio.

DOE believes that the significant reduction in SECP funds in FY 82 is causing the State's to closely examine the cost-effectiveness of their respective program measures.

GAO Recommendation

If the SECP is authorized beyond fiscal year 1982, we recommend that the Secretary of Energy or the head of the successor agency require that energy savings guidance previously provided is used in estimating future energy savings.

DOE Comment

DOE agrees with the essence of this recommendation; however, we believe that some of the difficulties involved in enhancing SECP efficiency and effectiveness can be traced to the inflexibilities contained in the authorizing legislation and implementing regulations. Efforts to remedy the problems are limited at this time due to the proposed close out ot the program and the recent reduction in the number of DOE staff assigned to the program.

DOE recognizes the problems associated with estimating and reporting energy savings. In our opinion, this difficulity is contained in the SECP legislation and regulations which tie grant amounts to planned energy savings. Thus, the States have an incentive to report planned energy savings at a higher level than they can realistically achieve. Any solution in this area should include legislative and regulatory changes, as well as DOE's plan to continue technical assistance to and monitoring of State efforts, as recommended by GAO.

With regard to the aspect of inaccurate attribution of program savings, DOE has continued its remedial efforts. In additon to previously-issued guidance, Chapter 10 of the SECP implementation Manaual was recently disseminated to provide additional detailed guidance in this area. These continuing efforts are expected to result in more accurate data beginning with States' 1981 energy savings reports.

GAO Recommendation

If the SECP is authorized beyond fiscal year 1982, we recommend that the Secretary of Energy or the head of the successor agency revise the SECP planning and reporting requirements to assure the following:

--Financial systems at the State level are sufficient to provide accurate cost information by program measure. During periodic monitoring visits to State energy offices, DOE should determine the basis for each State's reporting of program measure costs, and provide needed policy guidance and technical assistance to States whose systems are not providing accurate accrued expenditure cost data.

--State plans contain sufficient detail on actions planned during the year against which to compare actual progress. Plans should contain adequate descriptions of milestones, including specifics on quantifiable action--such as the number of workshops, training classes or audits--planned during the year.

We recommend that during reviews of quarterly State progress reports, the Secretary of Energy or the head of the successor agency should assess their adequacy in providing a realistic evaluation of program accomplishments. Progress reporting by the States should be in sufficient details to provide a accurate and complete information on the status of each program measure. Where progress reports are deemed inadequate, the Secretary of Energy or the head of the successor agency should provide the necessary guidance and instructions to the State for improvement of the progress report.

We also recommend that the Secretary of Energy or the head or the successor agency review with the States the requirements concerning the use of SECP funds to assure that funds are not used to finance non-SECP activites.

DOE Comment

DOE concurs in these recommendatons. DOE has already taken measures that should alleviate the problems GAO noted. In FY 82, States are required to show in their annual grant applications, planned budgets and milestones on an individual program measure basis. This information will provide the baseline against which States will be required to report quarterly actual costs incurred, milestones accomplished, and problems encountered.

DOE has also initiated a Grants Management Information System which will provide comprehensive, historic and current financial data for all States participating in SECP and other State grant programs, permitting orderly financial monitoring of each State's program through to grant close out. DOE will review with the States the requirements concerning the use of SECP funds to assure that funds are not used to finance non-SECP activites.

While DOE has initiated these actions, effective monitoring of the program remains hampered by the lack of sufficiently trained staff.

9. Given the unsettled state of the world petroleum market, it would seem most important that the Department proceed rapidly to recruit an Assistant Secretary for International Affairs. During your confirmation hearings you acknowledged this priority, can you indicate how soon you expect to fill this position?

Answer: I very much appreciate the importance of filling the position of Assistant Secretary for International Affairs. Several candidates presently are under consideration, including individuals who already have been interviewed. Although I presently cannot give a specific date for completion of the selection process, it is my intention to make a final recommendation to the President within the relatively near future.

10. When will the Department be able to release its analysis of current utility industry conditions being prepared by the Policy Office?

Answer: I think it is useful to distinguish between our descriptive analysis of the electric utility sector and our recommendations or proposed changes. Our recommendations presently are under review and may not be issued formally for several months, but I expect we will publish our descriptive analysis sooner -- perhaps by late March. However, various topical studies concerning electricity generation and use have been prepared as part of the Electricity Policy Project, and most of these are now available from the Office of Policy, Planning and Analysis.

11. Section 301 of the Energy Security Act (P.L. 96-294) requires the President to transmit to Congress a set of energy targets for net imports, domestic production, and end-use consumption of energy for the calendar years 1985, 1990 and 2000. These targets are to be transmitted "during the first calendar week beginning in February," which is next week.

Is the President prepared to comply with Section 301?

Answer: The Energy Targets will be submitted to the Congress with the 1984 Authorizations Bill as required by the Energy Security Act, in February 1983. Nevertheless, the Administration continues to believe that, in the interests of a sound, national energy policy, it would be preferable to consider those targets as projections of what may happen, rather than targets to be achieved regardless of economic consequences.

12. At this time there are five positions in the Department of Energy subject to Senate confirmation that are vacant or being managed by people the Senate has not confirmed in those particular jobs. These positions are: Under Secretary of Energy, Deputy Secretary of Energy, Assistant Secretary of International Affairs, Director of the Office of Alcohol Fuels, and Director of the Office of Civilian Nuclear Waste Management.

When can the Senate expect to receive nominations from the Administration for these positions?

Answer: Several candidates presently are under consideration for most all of the positions mentioned in the question, including individuals who already have been interviewed. Although I presently cannot give a specific date for completion of the selection process, it is my intention to make final recommendations to the President within the relatively near future.

13. The Department of Energy's Office of Policy and Evaluation has devoted a lot of time to studying electric utility financing. J. Hunter Chiles, the Director of the Office, has been quoted fairly extensively in the media on the subject of these studies.

How much has the Department spent on these studies? What has been the result? Do you expect to submit any proposed legislation based on what has been learned in these studies?

Answer: The entire budget for this effort has been about $2.5 million. Not all of this has been spent on studies per se. Some of the funding went towards grants for other institutions, such as the National Governor's Association and the National Conference of State Legislators, to do their own independent evaluations of electric power issues.

The results of the completed analytical efforts are currently being summarized into a descriptive analysis which we will publish in the near future.

No decision has yet been made regarding submission of proposed legislation.

14. Do you favor the use of energy taxes as a means of raising general revenues for the Federal Government?

Isn't this what the President is proposing with his contingency import fee and domestic oil production tax?

What are the expected revenues from such a fee assuming, for example, that it were imposed in 1985, and what are the implications of such a combination of fees and taxes for energy policy, domestically and internationally?

Answer: I am in total agreement with the President's determined objective that Federal deficits not be out of control. The set of contingency taxes proposed by the President in the FY 1984 Federal budget (tax surcharge on individuals; tax surcharge on corporations; $5/barrel fee on both domestic and imported oil) was developed by the Administration when reviewing the possibility of large Federal budget deficits in FY 1986 and beyond. The contingency taxes provide an insurance policy against such a situation and are to be triggered only if the projected FY 1986 deficit (as estimated in July 1985) exceeds 2.5 percent of GNP. Such taxes would not be applied in a recession.

While I generally do not favor use of energy taxes to raise general Federal revenues, I believe the circumstances contemplated by the proposed contingency taxes are such as to warrant support for the proposal. The taxes would be in place for only a period of three years and then would expire. Treasury Department estimates of revenues for the proposed $5 fee are in the neighborhood of $20 billion per year in FY 1986-88.

If the contingent oil fee were imposed, domestic consumption of oil would be reduced somewhat, as a consequence of which imports and the world oil price should decline.

15. You describe in your statement the ability of the current SPR to satisfy U.S. oil demand and you appear to derive some sense of comfort from those numbers. Why do you only consider U.S. demand? Didn't DOE tell the Committee on May 6, 1982, that DOE is considering as an option the use of the SPR oil to compensate U.S. oil companies who supply oil abroad under the IEP program? If you don't use the SPR oil for this approach won't the IEP Fair Sharing system require a regulatory approach to ensure that oil companies who supply oil are not disproportionately burdened?

Answer: Our analysis did consider the requirements of other nations and how that affects world supply and demand. I did not mean to imply otherwise.

Should the U.S. incur a supply obligation under the IEP, there are several ways in which this obligation could be fulfilled, including use of a "fair sharing" program. SPR drawdown could be used as one element in such a fair sharing program, and the program need not entail such a regulatory approach. As the Department previously has reported, it is studying the need for, and possible characteristics of, other options to facilitate or allow company supply actions in meeting IEP commitments.

16. In your statement you say that, "Based on current forecasts, purchases of oil made today with borrowed money would require outlays in excess of those required to purchase the same amount of oil in FY 1985."

Aren't you simply saying that the projected discount rate is higher than projected oil price increases? Won't this be likely true for the foreseeable future? This is usually true of buying insurance generally, isn't it -- it's always cheaper to defer buying insurance, unless, of course, the event you are attempting to insure against occurs?

Answer: The cost of the SPR oil itself (including borrowing costs) depends on expectations concerning future oil prices and borrowing costs (discount rate). If projected Federal borrowing rates exceed the rate of oil price increases, the total cost of SPR oil can be reduced by deferring purchases into a future year. Conversely, it is cheaper to buy

SPR oil immediately if oil price increases exceed the borrowing rate, a condition that occurred several times in the 1970's.

We presently expect projected Federal borrowing rates to be in excess of oil price increases through the middle of the decade, creating potential outlay savings by deferring some oil purchases. Beyond 1985, it is uncertain how trends in financial and oil markets will compare, and the Administration will reanalyze its Strategic Petroleum Reserve development policies in the context of the FY 1985 budget.

The Administration has weighed the reductions of both known costs and potential benefits, and, in light of current oil market conditions, we believe that the FY 1984 budget request for SPR represents a prudent and balanced approach. The FY 1984 Budget reflects a sober and realistic recognition of the absolute necessity of restraining Federal spending to the maximum extent possible. The spending cuts associated with reducing the near-term rate of growth of the SPR oil inventory are necessary because our national financial problems are of such a serious nature. Considering world oil market conditions, we believe the FY 1984 Budget is prudent, particularly in light of the national need to restrain Federal outlays.

17. On March 20, 1982, less than one year ago, the President vetoed S. 1503 and stated in his veto message, "The current world oil situation, with declining prices and ample supplies, provides the best opportunity for future preparedness. This is why the Administration continues to add to the Strategic Petroleum Reserve as fast as permanent storage becomes available."

In this FY 1984 budget he now is changing that policy. The FY 1984 budget request for the SPR will not fill available salt dome capacity. The Committee staff was informed yesterday that at the end of FY 1984 you will have 18 million barrels of spare storage capacity or enough to fill the SPR at a rate of 50,000 barrels per day greater than you plan to achieve for FY 1984. Why is this policy change necessary?

Answer: This policy change is necessary and warranted because of three considerations: improved energy preparedness in the U.S. and overseas, a more optimistic situation in world oil markets, and budgetary considerations.

When the Administration initiated its fill to capacity policy two years ago, the very modest levels of SPR oil held in the Reserve (approximately 112 MMB) made it imperative that the SPR be filled rapidly. By the end of FY 1983, however, the Reserve presently is projected to contain 358 MMB -- over three times the oil stored when the policy was initiated. Moreover, by the end of FY 1984, we presently plan to fill to about 411 MMB -- which is less than 1.5 percent below the cumulative fill capacity at the end of FY 1984 which was projected in the FY 1983 budget request. In the Administration's view, this is a significant level of protection against the threat of an oil supply disruption and, together with the elimination of counterproductive controls on oil markets, has much improved our energy preparedness capabilities.

At the same time protection levels were being improved, the world and domestic energy situation turned more optimistic. Oil imports and consumption have continued their downward trend and excess free world oil production capacity has increased. The share of U.S. imports from Arab OPEC countries also is down significantly.

The FY 1984 Budget reflects a sober and realistic recognition of the absolute necessity of restraining Federal spending to the maximum extent possible. The spending cuts associated with reducing the near-term rate of growth of the SPR oil inventory are necessary because our national financial problems are of such a serious nature.

Considering world oil market conditions, we believe this modest departure from our prior policies is prudent, particularly in light of the national need to restrain Federal outlays.

18. You have a lot to say in your statement that is favorable to conservation. You also say: "To ensure that the requirements of the waste bill are fully understood and acted upon as promptly as possible, I have detailed a number of Department of Energy employees from the Policy and Planning organization to a special task group for this purpose."

How many of these employees were detailed from work on conservation? How many employees remain working on conservation in the policy and planning organization? How long will those who have been moved be detailed to implementation of the nuclear waste bill?

Answer: Because of the tight time requirements for implementation of the Nuclear Waste Policy Act, 49 employees were detailed to that activity from the Office of Policy, Planning and Analysis. These details are for a period of 90 days. Two full-time and two part-time employees who were detailed were working on conservation policy analysis. Two employees in the Office of Policy, Planning and Analysis are currently spending part of their time on conservation policy analysis.

19. You are requesting no funds for the low-income weatherization program, but instead intend the poor to rely on the low-income energy assistance program. Is that correct?

Does it make any sense to keep paying the high fuel bills of the poor rather than to weatherize their homes so as to reduce the cost of heat for the poor permanently and as well to reduce the costs of the Low-Income Energy Assistance Program?

How much additional money is the Administration requesting for this program in light of your zero funding request for Low-Income Weatherization?

Answer: We recognize the need to help low-income persons and households adjust to higher energy prices. The Administration, however, views this assistance as a social need rather than an energy issue and, therefore, not a proper activity for the Department of Energy. Such activities should be located in those agencies which have the specific mandate, expertise, and apparatus for dealing with social issues. For this reason, the President has requested no funding in the Department's FY 1984 budget for weatherization activities. Rather, the States are permitted to use Federal funds for weatherization through the Low-Income Home Energy Assistance Program (administered by the Department of Health and Human Services). Currently, up to 15 percent of the funds available under that program (totalling $1.975 billion in FY 1983, with $1.3 billion requested in FY 1984) are authorized for weatherization activities.

There should be little doubt but that prudent weatherization of homes reduces the cost of heat and, therefore, can reduce the amount of financial assistance necessary for low-income households which have been weatherized. However, the Administration also believes that State and local governments are better able than the Federal Government to make decisions concerning assistance to low-income families. Our approach, while continuing to provide Federal funds (through what we believe to be the most appropriate agencies and mechanisms), will shift decision authority to the State and local levels, enabling those governments to structure programs to best meet local needs and priorities. The States have the discretion to use up to 15 percent of the LIHEAP funds for a weatherization program.

The FY 1983 program level for DOE's weatherization assistance program is $145 million. The HHS FY 1983 LIHEAP budget is $1.975 billion, which allows up to 15 percent ($296 million) to be used for weatherization. The FY 1984 budget request for LIHEAP is $1.3 billion (permitting up to $195 million for weatherization activities).

20. Secretary Hodel is a member of the Board of Directors of the Solar Bank.

Is it true that although the Bank was provided $42 million in total for distribution in FY 1982, they have announced awards that total only $30.4 million? Where is the other $11.6 million? Is it true that the Administration intends to request a reprogramming of this money to the low-income energy assistance program?

Did you approve of this reprogramming?

Answer: The President's 1984 budget includes a proposed 1983 supplemental transfer appropriation involving the accounts "assistance for solar and conservation improvements" which fund the solar energy and energy conservation bank in the Department of Housing and Urban Development (HUD) and "low income energy assistance" in the Department of Health and Human Services (HHS). Technically, the proposal calls for the transfer of all "unobligated balances" of appropriations available as of the date of enactment from the HUD program to the HHS program. The Office of Management and Budget (OMB) has apportioned the total resources of $41.8 million available for the Solar Bank on a quarterly basis, with $30.8 million for use during the first two quarters of FY 1983 and the balance of $11 million for use during the last two quarters in equal amounts of $5.5 million per quarter. For estimating purposes, we have assumed enactment of the transfer appropriation in early April and therefore have assumed that $11 million will be unobligated as of that date. The Department of Energy supports this proposal in the President's budget in light of the substantial overlap between the Solar Bank and the much larger block grant program already fully operative in HHS.

Consistent with the OMB apportionment, the Board of Directors of the Solar Bank has allocated $30.4 million in support of state funding applications which have been approved by the Board. However, none of these funds can be legally obligated until program regulations take full effect later this Spring. Should the Congress fail to act favorably upon the supplemental transfer appropriation request, the board will continue to make funding awards to allocate the remaining $11 million.

21. You are now adding the "Electric Energy Systems and Energy Storage Systems" under the heading of Conservation. While they arguably are conservation programs, in fact they have not been included in the conservation appropriation account, have they? In fact, if you leave them out the result is that you are requesting $74.377 million for conservation compared to the FY 1983 appropriation of $367.290 million, so the cut is an 80 percent cut. You appear to support the energy conservation research effort. Yet you are cutting that from $134 million to $71 million, which is a 46.5 percent cut. Why is this cut necessary?

Answer: The comparative funding levels used in the question are accurate. The program for conservation R&D in FY 1984 was developed through a careful scrutiny of the technologies involved, their needs, and the ability of the private sector to carry the technologies forward to implementation in the marketplace. While recognizing the need for overall fiscal constraint in the development of the FY 1984 budget, the Department did support significant increases in the conservation area, totalling over a 400 percent increase compared to the FY 1983 request. While I recognize that these levels are substantially lower than those appropriated by the Congress for FY 1983, they reflect our desire to move in the direction preferred by the Congress. The requested levels are considered adequate to carry forward research and development in those areas where the private sector cannot or will not carry the work to completion.

22. On December 1, 1982, at your confirmation hearing, Senator Jackson requested that you have the DOE General Counsel supply the Committee with a legal memorandum of the legality of DOE achieving an FY 1983 fill rate for the SPR of only 220,000 b/d given the requirements of the Energy Emergency Preparedness Act of 1982 and the magnitude of funds now available for filling the SPR.

You agreed to provide this memorandum. On January 14, 1983 Senator Jackson wrote you again requesting the memorandum. Is it available now? Why not? Where is it? What is the problem? How can you administer the SPR program if you don't know yet what the law requires of you for FY 1983? What are _your_ lawyers telling you at DOE? Has DOE discussed this with OMB? What is OMB saying?

Answer: An extensive legal analysis of the issues raised by Senator Jackson now is being discussed within the Administration. The discussions include counsel for the Department of Energy and counsel for OMB. The statutes addressed by these discussions concern the authorities and duties of the President, as well as those of the Secretary of Energy. The subject matter is complex, and the laws are not free from ambiguity in several key respects, as a consequence of which the lawyers have not yet taken final positions on the issues. We intend to resolve the issues as promptly as possible.

I am informed that, assuming reasonably prompt resolution of the issues, we should be able to achieve an average SPR fill rate during FY 1983 which complies with the requirements of applicable law, as those requirements might be defined within the range of views presently under discussion.

23. How much of your FY 1984 budget request will be used to buy oil for delivery in FY 1984?

Will all of the FY 1984 budget request be used to buy oil from PEMEX for delivery in FY 1985? How much oil will your FY 1984 budget request purchase?

Answer: The proposed FY 1984 appropriation language for the SPR Petroleum Account provides that all of the $583.1 million in budget authority will be used for acquisition and transportation of petroleum to be delivered to the Strategic Petroleum Reserve during Fiscal Year 1985.

The $583.1 million is estimated to purchase approximately 16 million barrels, to assure continuity of SPR fill in early FY 1985. We would expect that at least 9.1 MMB funded in this manner would represent the first two quarters deliveries at 50,000 barrels per day under the 1981 PEMEX contract. Decisions on the specific disposition of the remaining FY 1984 appropriation will depend on oil market conditions and information regarding the timing and level of FY 1985 budget resources.

24. When the Senate Appropriations Committee marked up the FY 1983 Interior Appropriations Bill, now P.L. 97-394, an amendment was adopted by the conference to transfer and designate $2,000,000 from the alternative fuels production account for a feasibility study of a Western Hemisphere alternative fuels facility to utilize coals exported from the United States.

The U.S. contribution is only 25 percent of the total cost of the study; it will mean jobs for Americans in a depressed region and industry; and it will increase exports of coal which will only help lessen our serious balance of trade deficit. Moreover, the facility is to be located in Panama, a country located in a strategic region which President Reagan focussed on and designated for assistance in a major foreign policy initiative last year, the CBI.

When do you plan to obligate these funds?

Answer: The Department is in the process of negotiating an Interagency Agreement between DOE and the U.S. Trade and Development Program (TDP) so that the $2 million authorized in P.L. 97-394 can be added to the existing grant agreement between the United States and the Republic of Panama. In addition, we are in the process of establishing a joint management committee comprised of members from DOE, the State Department and TDP to institute appropriate management controls for the Phase I feasibility study, as well as to provide facilitative and technical support to ensure that U.S. developed energy technologies are employed during project implementation.

25. The Emergency Preparedness and Energy Regulation budget includes funds to "plan for and participate in national defense readiness exercises to be held in FY 1984" (Vol. 7, page 100, DOE/MA-0064/1). Please describe in detail the activities to be undertaken.

Answer: The Department of Defense (DOD) and the Federal Emergency Management Agency (FEMA), which has responsibility for development of all U.S. Government emergency planning, conduct a regular series of civilian and national defense preparedness exercises in which a significant number of U.S. Government Agencies participate. The importance of energy in all aspects of emergency contingency planning makes DOE's participation in these exercises imperative if practical and effective emergency procedures are to be developed. The authorities contained in the Defense Production Act (DPA) would be available if needed in any national security emergency. These exercises provide an invaluable opportunity to test and improve the DOD and intergovernmental procedures for using the DPA which now are being formulated.

I am informed that the exercises currently planned for FY 1984 (and a brief description of each) in which DOE is preparing for participation are:

REX-84 ALPHA — This is an interagency exercise to be conducted by FEMA, and is designed to test each civilian agency's Continuity of Government plan. The general intent is to provide participation of senior

Government officials, exercise civilian and military staffs and the interplay between them, and exercise policies, plans, systems, and procedures which provide for continuity of government, civil defense, military assistance to civil authorities, and military support to civil defense.

REX-84 BRAVO -- Specific plans have not yet been determined by FEMA, but it appears likely that a BRAVO exercise will be conducted in 1984. This, like REX-84 ALPHA, will be an interagency exercise. It will test civilian readiness to respond to a military crisis.

DOD/REX EXERCISES -- The DOE conducts a military readiness exercise in conjunction with each of FEMA's civilian readiness exercises. The DOE also participates in these exercises.

FUELEX-84 -- This exercise is to be conducted by DOD, and will bring together representatives of the military, civilian government agencies, and industry to observe these groups' method of solving energy problems which occur within a prepared scenario. FUELEX-84 will test the effects of (and ways to answer the problems of) a relatively severe energy shortfall with concurrent increases in worldwide tension and scattered foreign hostilities.

COREX (Contingency Response Exercise) -- The DOD/Military Contingency Response (CORE) Military Traffic Management Command (MTMC) Program provides DOD transportation service support and priority prior to and during contingencies and mobilization. The action arm of the program is the CORE Team comprised of key senior officials of the DOD, other Federal Agencies, and the commercial transportation industry. COREX will test the quick reaction procedures utilized by the Team to reduce significantly the time required to muster civil rail, motor, bus, and air assets to meet DOD priority requirements. Authority existing in the DPA insures DOD priority in obtaining energy supplies to support military and civilian transportation services, if required to meet contingency needs.

26. The Emergency Preparedness and Energy Regulation budget includes funds for "complete procedures to bring Emergency Executive Reserve Programs Reserves to operational readiness," and to "design and complete tests and training to ensure readiness and viability of reserve units." (Vol. 7, page 111, DOE/MA-0064/1). One of the major impediments to the Reserve program has been lack of company executive interest in participation. Does the Department intend to propose legislation in this area? If not, how do you intend to interest executives in participating? What concrete evidence do you have of interest in the program from persons outside the Federal government?

Answer: The Department of Energy (DOE) is concerned that current restrictions, notably certain aspects of the antitrust and conflict of interest laws, might diminish the ability to attract and utilize qualified executives to the National Defense Executive Reserve (NDER) program. While these restrictions remain a key concern, good progress has been made toward revitalizing the DOE's three Executive Reserve units.

On January 26, 1983, I redesignated 47 former members of the NDER to new terms -- including 31 in the petroleum and gas unit and 16 in the solid fuels reserve. These are the first NDER redesignations since the program was moved into the DOE in 1977. In addition, the electric power executive reserve has 47 members, reappointed in 1982 as "special Government employees serving without compensation (WOC's)." Steps are underway to appoint each electric power WOC as a member of the NDER.

Thus, since this Administration began the difficult task of rebuilding the Energy Executive Reserves, the active membership has grown from zero to 94 executives in the petroleum, gas, solid fuels and electric power industries.

Each of our 94 members has been invited to a government-wide conference and training session for the National Defense Executive Reserve, sponsored by the Federal Emergency Management Agency, March 7-9, 1983, in Washington, D.C. Early indications, based on telephone follow-ups to written invitations, suggest that at least half the invited executives, and possibly more, will participate in this important two and one-half day conference, the first of its kind since 1967. Since the invitations were not mailed until the last week in January, this is a remarkably positive and encouraging response.

The issues surrounding legal impediments, including potential legislative proposals, will be on the agenda at the forthcoming NDER conference. This will provide opportunity for these matters to be more fully explored with and among industry executives. Meanwhile, these issues are under examination within the DOE, but no final decisions regarding proposed legislation have yet been made.

27. What was the FY 1982 level of support for NEMESIS? What is the FY 1983 level of support for NEMESIS? What funds are being requested for NEMESIS for FY 1984?

Answer: During FY 1982, DOE spent $588,000 for development of the NEMESIS computerized tanker tracking system which was being planned as a part of oil analysis responsibilities of the Office of International Affairs and the Energy Information Administration's ongoing data base programs. These expenditures came from funds obligated in FY 1980 and FY 1981 by the

Office of International Affairs, the Energy Information Administration, the Office of Energy Research, and the Economic Regulatory Administration. It is anticipated that a similar amount will be expended in FY 1983. No additional funding for NEMESIS development is requested for FY 1984 although assistance in kind will continue.

28. How many voluntary certifications by powerplants of coal capability did the Department receive in FY 1982 pursuant to Section 1021 of the Omnibus Budget Reconciliation Act of 1981? How many certifications does the Department project it will receive in FY 1983 and FY 1984? How many prohibition orders have actually been issued in each fiscal year? How many does the Department expect to issue in each fiscal year? How many does the Department expect to issue in all of FY 1983 and FY 1984? How would certifications received in FY 1984 be disposed of if the program is zero funded, as the budget requests?

Answer: I am informed that, in FY 1982, the Department received voluntary coal capability certifications covering eleven powerplants at five generating stations, pursuant to Section 1021 of OBRA. The FY 1983 and FY 1984 certification projections cannot be estimated accurately, although the number should be low due to declining oil prices and a drop in electricity load growth. No certifications have been received to date in FY 1983.

No prohibition orders were issued in FY 1982; two have been issued to date in FY 1983. I also am informed that 25 prohibition order applications were received during FY 1982, and 18 of these should be completed in FY 1983. The FY 1984 budget request assumes that further work under this program will be discontinued in FY 1984 if the Congress approves repeal or amendment of the regulatory laws to which this program provides relief. Should no changes to these laws occur, the orders uncompleted in FY 1983 would be issued in early FY 1984 through temporary use of qualified Departmental personnel.

29. How many petitions for Fuel Use Act exemptions has the Department received in FY 1982, and in FY 1983 to date? How many does the Department expect in all of FY 1983 and in FY 1984? How have the petitions been disposed of in each of those years? How would petitions received in FY 1984 be disposed of if the program is zero funded, as the budget requests?

Answer: I am informed that thirty-five petitions for Fuel Use Act exemptions were received in FY 1982 and five petitions in FY 1983 (as of January 31, 1983). The Department presently estimates receiving approximately forty petitions during FY 1983, but estimates for FY 1984 cannot reasonably be made this far in advance. The FY 1984 budget request assumes approval by the Congress of the repeal or amendment of the legislation that makes FUA exemptions necessary for coal conversions. If no changes in this legislation occur, petitions filed in FY 1984 would be processed by temporary Departmental staff, as the procedures have been substantially streamlined and simplified.

30. You propose to provide zero budget authority for the Uranium Resource Assessment program.

    a. What is the current status of the program?

    b. Why does the Administration believe that the program should be terminated?

Answer: The Uranium Resource Assessment program is undergoing close-out activities in FY 1983. FY 1983 funds will be used to complete analysis and archiving activities as well as other work necessary to release publicly all of the data which have been gathered by the program in uranium resources.

The program is being terminated primarily because the priority work of the assessment program has been completed, particularly the National Uranium Resource Evaluation effort, and, based on information gathered to date, the uranium supply looks adequate to support the industry's needs.

31. It is my understanding that the Department has collected soil and water samples under the Uranium Resource Assessment program that may be helpful in locating strategic minerals. It is also my understanding that the Department has not analyzed these samples in terms of strategic minerals location.

a. Is this true?

b. (If yes) Does the Department intend to analyze the samples in terms of strategic mineral location?

c. (If no) What does the Department plan to do with the samples?

Answer: I am informed that: As part of the National Uranium Resource Evaluation (NURE) program, the Grand Junction Area Office of the Department of Energy has collected, analyzed, and archived about one million stream sediment and water samples that may be helpful in locating strategic mineral resources. In addition to uranium, these samples have been analyzed for several elements on the strategic list. Approximately two-thirds of the conterminous U.S. and Alaska were sampled on a reconnaissance scale, with most samples collected at five to ten mile spacing. The work was performed by the Lawrence Livermore, Los Alamos, Oak Ridge and Savannah River Laboratories.

The results of this geochemical survey have been released by the Grand Junction Area Office in about 600 reports available at Grand Junction and at selected libraries throughout the U.S. The data also are available on over 500 computer readable data tapes available from the Grand Junction Area Office Library.

The Department does not now plan additional analytical work on these samples. The Department will either maintain the sample archive, if funds are available, or transfer it to another appropriate agency.

32. In the January 21, 1983 issue of The Energy Daily, you were quoted as saying that "if Congress is not going to support continued demonstration of the breeder -- and I think it won't -- then it is hard to support demonstrations such as MHD."

How would you reconcile this statement with your promise to the Committee to spend money for programs as appropriated and directed by Congress?

Answer: I don't consider my statement in this matter inconsistent with my responsibility to see that Congressional program directives are fully and effectively met. The referenced quotation merely notes that if Congress decides not to support the breeder, then it is difficult to see why it would support demonstration of a less firmly based advanced technology power system like MHD. If Congress were to appropriate funds for MHD in FY 1984, I would certainly be fully responsive to its direction.

33. The Administration has concluded that a Regional Petroleum Reserve for jet fuel or crude oil in or for Hawaii is unnecessary, and this conclusion forms one of the bases for the Administration's Fiscal Year 1984 request for funding for the Strategic Petroleum Reserve. This conclusion seems to be based upon conclusions in the Department of Energy's "Report to the Congress" on Regional Petroleum Reserves, dated December 31, 1982, which says, "The technical improvements which have occurred to the system of petroleum logistics now serving Hawaii, together with the removal of domestic price and allocation controls, have combined to reduce Hawaii's vulnerability ..." and "Knowing that such protection (allocation and price controls and Federal authority to override states in an energy emergency) was in place ... undoubtedly caused refiners to be less cautious about the security of their imported supplies and the level of safety of stocks than they otherwise would have been."

My questions in this area are:

a. What "technical improvements" does the Administration refer to in concluding that regional reserves in or for Hawaii are unnecessary?

b. Price and allocation controls were put into effect because independent refiners and distributors were being cut off from supplies in their absence. What evidence now suggests that the absence of price and allocation controls, and the absence of federal authority to override state controls, would have any effect different than the effect it had in 1973?

c. What evidence is there to suggest that independent refiners and distributors will make investments in storage and will seek long-term supply contracts at a time when prices are declining and profits are being reduced?

d. Under the "market-oriented system" described in the "Report to Congress" on regional reserves, what would prevent those fortunate enough to own crude oil or jet fuel during a disruption from doubling or tripling the price of their supplies?

Answers: a. I am informed that technical improvements include expansions of indigenous refinery capacity and addition of hydrocracking facilities (in the Hawaiian Independent Refinery (HIRI)) which will increase jet fuel production. These improvements, combined with the substitution of domestic (Alaskan North Slope) crude oil for a significant portion of previously imported refinery raw materials, have reduced Hawaii's vulnerability to losses of foreign imports.

Hawaii also is well located to diversify its supply sources. It likely is in Hawaii's best interests to assure that the State's refineries are sufficiently versatile to use other than the lightest and sweetest crude oils. It is DOE's position that such prudent planning involves local, rather than Federal, responsibility and decision-making.

b. The price and allocation controls previously in effect "froze" supplier-purchaser relationships and did not allow the marketplace to respond to changing supply and price conditions. Current strategies of reliance on free market competition to price and allocate petroleum supplies will allow each refiner to make purchase and stock decisions on a purely business basis and to take other prudent actions to insure against potential supply disruptions. Individual decisions by producers and distributors in response to changing prices will provide the most rapid and effective response to any relative shortages that temporarily may develop in a region due to a disproportionate loss in supplies by refiners that serve the region. While existing contracts between suppliers and their customers may cause some "stickiness" in the responsiveness of the market, higher prices in one region will draw supplies away from other regions to balance the burden. These adjustments will be made more rapidly and more efficiently in response to price signals than was the case under price controls and allocation. In the latter case, as we all know, adjustments in regional supplies would be based on outdated historical patterns and would have to await decisions by Government officials on each case or class of cases. The information available to the Government for these purposes inevitably would be incomplete and outmoded in comparison to the information which is and would be available to the market on a day-to-day basis.

c. As we stated in our report (on page 33), we expect suppliers -- all suppliers -- to be encouraged on a purely business basis to balance their potential rewards against the risk of business losses and to set their individual business strategies accordingly.

This may suggest, for example, that suppliers consciously attempt to manage their supply portfolios in a way which acknowledges the relationship which exists between risks inherent in secure versus insecure supplies and inherent in cost differentials between spot and long-term supply contracts. Suppliers also should consider carefully their long-term responsibilities to both their stockholders and their customers when they make decisions concerning inventory levels. Higher levels obviously will incur higher costs, but will likely result in lower risk to sudden reductions in supply. Lower levels, on the other hand, will lower operating costs and increase short-term profits, but tend to magnify impacts which result from supply uncertainty.

Our policy in these matters is to seek to eliminate any market inefficiencies which may exist as a consequence of Government interference or the expectation of Government interference. We do not believe that our role is to substitute our judgment for those of local suppliers and their customers.

d. Price increases of this magnitude simply could not occur because competitors (domestic or foreign) would likely offer to supply additional oil at lower prices. The existence of regional reserves would have little or no advantage over the planned SPR in these circumstances.

34. Regarding solar energy and other renewable energy sources, what funding levels did the Department of Energy propose to the Office of Management and Budget for each of the categories listed under "Solar and Other Renewables" on page 17 of the Department of Energy's FY 1984 Budget Highlights?

Answer: The President's Budget for solar and other renewables for FY 1984 reflects the levels included in the Department's September 1982 proposal to OMB. The table displayed below is for your information.

SOLAR AND OTHER RENEWABLES	Budget Authority (In Thousands) OMB Request FY 1984
Active	$ ---
Passive	---
Photovoltaics	32,700
Solar Thermal	21,950
Wind	8,600
Ocean	---
Biomass	17,300
Solar Technology Transfer	3,100
Solar Program Direction	3,009
Other Solar	---
Geothermal	13,553
Geothermal Resources Development Fund	2,100
Hydropower	---
Total, Solar and Other Renewables ...	$102,312

35. Provide a description of, and level of funding for, all solar and other renewable energy projects in the State of Hawaii in FY 1983, and the corresponding description and proposed level of funding for these projects in FY 1984.

Answer: DOE currently is funding ocean thermal energy conversion (OTEC) and biomass research projects in the State of Hawaii. I am informed that current estimates for FY 1983 include approximately $1.5 million of OTEC funding to be spent on a variety of experiments at the Sea Coast Test Facility and on research involving a 400-foot long cold water pipe which will be deployed and tested at sea off the coast of Hawaii. Additionally, up to $10 million has been identified in the FY 1983 program for preliminary design of an OTEC pilot plant for the Island of Oahu. The Department has requested no further funding for OTEC in FY 1984.

In the area of biomass, DOE currently is funding the University of Hawaii to evaluate the feasibility of growing microalgae as a liquid fuel. I am informed that experimental units have been constructed to determine conditions necessary to sustain high levels of microalgal productivity and that current funding planned for FY 1983 is $180,000. Based upon the results of FY 1983 research and availability of FY 1984 funds, a determination will be made regarding the level of effort required for this project in FY 1984. In addition, the Department currently is funding the Bioenergy Development Corporation (Hilo, Hawaii) to evaluate the technical and economic feasibility of growing eucalyptus trees as a source of biomass fuel to generate electricity in Hawaii. Experimental plots are being used to provide accurate and reliable data on silvicultural requirements and their associated costs. Planned FY 1983 funding for this project totals $155,000. The Department foresees no funding requirement for this project in FY 1984.

36. Kauai Electric, on the Island of Kauai in Hawaii, suffered severe damage to its sytem in the recent Hurricane Iwa. I would greatly appreciate knowing if any programs exist in the Department of Energy which might be of assistance to Kauai Electric in rebuilding its system in the aftermath of this natural disaster, and the levels of funding for such programs in FY 1983 and FY 1984 as proposed.

Answer: The Department of Energy (DOE) does not have any programs that could provide funding for a situation such as repairing the damage caused by Hurricane Iwa. The type of assistance which DOE can provide in such emergencies includes:

- Appropriate utilization of the Emergency Electric Power Executive Reserve;
- Coordinate with FEMA and assist a utility in obtaining portable equipment available through the military services or other government sources;
- Coordinate with FEMA and obtain assistance from the military services or other government sources in transporting equipment or work crews;

- Help locate privately available equipment; and
- Assist in obtaining temporary waivers of government restrictions to allow full use of operable resources while remaining resources are undergoing repair.

The above types of assistance were offered in the aftermath of Hurricane Iwa but were not deemed necessary by the involved electric utilities with whom the DOE remained in close contact throughout the emergency.

The Federal agency charged with the primary responsibility for handling emergency assistance in cases such as this is the Federal Emergency Management Agency (FEMA). My staff has been in contact with the FEMA regional Disaster Assistance Program office in San Francisco, California which is the regional office that includes the State of Hawaii. The FEMA staff has discussed with Kauai Electric the availability of Federal funds for repairing the electric system. It is my understanding that the conclusions reached in these discussions was that no assistance could be provided by FEMA since Kauai Electric is a privately-owned, profit-making corporation.

The only other Federal agencies that might be in a position to offer financial assistance would be the Small Business Administration or the Rural Electrification Administration. Kauai Electric would have to contact these agencies to ascertain if it fit under the criteria for receiving funds for its repair efforts.

37. The use of hydrogen, which can be generated using renewable energy resources, has been proposed as an alternative to our Nation's dependence on petroleum-based fuels. Please provide descriptions of, and levels of funding for, any Department of Energy research and development programs to explore or advance the use of hydrogen as an alternative fuel, as proposed in the FY 1984 budget.

Answer: The FY 1984 budget for the Biomass Energy Technology program proposes approximately $1 million to continue photobiological hydrogen production research. I am informed that this work will include characterizing photosynthetic bacteria and microalgae capable of producing hydrogen; that cultivation experiments will be conducted of the most promising microbial species; and that experiments will be conducted to understand the biochemical pathways for hydrogen production in cell particles and to develop stable particles on solid substrates as a means of determining electron transport in the hydrogen production process.

38. Please provide descriptions and levels of funding for any research projects to develop advanced batteries in FY 1983 and FY 1984.

Answer: I am informed that advanced batteries are being developed for stationary applications such as utility load leveling and storage of solar-generated electricity and for electrical propulsion systems for passenger cars, vans, and buses. The projects which are being carried out in FY 1983 and which are planned to continue in FY 1984 cover the range from some systems which have been built in modules of many cells of near final batteries to systems that only have been tested at the level of small, laboratory-scale cells. An example of the former is the nickel/iron system. Zinc/bromine, sodium/sulfur, zinc/chlorine and lithium/iron disulfide are intermediate systems. Aluminum/air is an example of a system at a lesser state of development. Lithium/titanium disulfide, in a version with an organic electrolyte and as an all-solid-state system, is an example of the small cell research. In addition, research is being conducted to develop new materials which would allow the development of new systems not now possible. Examples are lithium ion conducting glasses and polymers.

Funds also are budgeted for studies in electrochemical phenomena applicable to several types of batteries. Funding for the three levels of battery research and for the relevant materials research are as follows (dollars in thousands):

	FY 1983	FY 1984
Near-Term Batteries	$ 5,500	$ 5,400
Less Developed Batteries	7,400	7,100
Laboratory Cells	2,400	2,400
Materials Research	4,300	4,300

39. What is the status of the Short Rotation Woody Crops Program in the Biomass Energy Technology Division under the proposed FY 1984 budget, compared to FY 1983?

Under the continuing resolution for FY 1983, $2 million was provided for the Short Rotation Woody Crops Program. No funds are requested for this program under the proposed FY 1984 budget because the forest products industry has the capability to pursue this work and will do so when and if it becomes economically attractive. Currently, I am informed, wood is more valuable as a raw material for pulp, paper and solid wood products, so tree plantations strictly for energy are viewed as being uneconomic. However, if conditions change, the forest products industry, which has substantial expertise in culturing softwoods and hardwoods, can undertake short rotation woody crop production on its own in response to market forces.

FY 1984 Budget
Department of Energy

Proposed changes to legislative restrictions on staffing.

FY 1984 Budget Appendix.

Part I. Detailed Budget Estimates General Provisions
[Department of Energy] Energy Activities, page I-J27

> "Sec. 106. Any statutory provisions requiring the maintenance of a specified number of full-time permanent Federal employees, or prohibiting actions to reduce employment levels, or otherwise establishing requirements for personnel levels of Energy Activities presently funded in the Department of Energy or any of its offices or programs or activities, are repealed."

Part III Supplementals and Rescissions General Provisions, page III-24

General Provisions

> "Any statutory provisions requiring the maintenance of a specified number of full-time permanent Federal employees, or prohibiting actions to reduce employment levels, or otherwise establishing requirements for personnel levels of the Department of Energy or any of its offices or programs or activities, are repealed."

This proposed appropriation language would enable Energy Activity (previously referred to as the Department of Energy) to manage its personnel resources to meet program needs, based on considerations of program efficiency and effectiveness and the appropriateness of using Federal employees.

PROPOSED FISCAL YEAR 1984 BUDGET REQUEST

WEDNESDAY, FEBRUARY 2, 1983

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room SD-366, Dirksen Office Building, Hon. James A. McClure, chairman, presiding.

Present: Senators McClure, Wallop, Warner, Murkowski, Nickles, Hecht, Melcher, and Bradley.

Also present: Richard D. Grundy, budget officer; Gary Ellsworth, deputy chief counsel—natural resources; Tony Bevinetto, professional staff member; and Thomas B. Williams and Benjamin S. Cooper, professional staff members for the minority.

OPENING STATEMENT OF HON. JAMES A. McCLURE, A U.S. SENATOR FROM THE STATE OF IDAHO

The CHAIRMAN. The committee will come to order.

Today the Committee on Energy and Natural Resources is conducting the second in a series of hearings on the elements of the President's fiscal year 1984 budget request which are within its jurisdiction. The focus of the committee this morning is the Department of the Interior.

Under Secretary Watt's leadership over the past 2 years there has been a significant redirection of program and policy with greater emphasis on a good neighbor approach, increased development of vital natural resources, and improvement in the quality of our national park system.

While there has not always been unanimous support for all of these new directions, on balance, the majority of this administration's initiatives have received bipartisan support. For that, Mr. Secretary, you are to be commended. I believe the policies which you are pursuing are a vital part of the economic formula for recovery. They are: Creating a better regulatory climate for investment, an emphasis on energy and mineral resource development which can lead to greater independence, and promoting new private sector jobs which are critically needed.

I'm sure the members of the committee will have a number of questions for you Mr. Secretary after you have finished your presentation. I will be particularly interested in information which you can provide on asset management, minerals management, including the implementation of the Federal Royalty Management Act of

1982, the funding levels for the Bureau of Reclamation, and the Office of Territorial Affairs.

Secretary Watt, I welcome you to the committee this morning and will ask you to proceed with your testimony. Before doing that, I ask if Senator Hecht has a statement he would like to make at this time?

Senator HECHT. No, sir.

The CHAIRMAN. Mr. Secretary, your statement is before the committee and it will be made a part of the record in full. You may summarize or present it as you see fit.

STATEMENT OF HON. JAMES G. WATT, SECRETARY OF THE INTERIOR, ACCOMPANIED BY J. ROBINSON WEST, ASSISTANT SECRETARY OF THE INTERIOR FOR POLICY, BUDGET, AND ADMINISTRATION; AND JOSEPH W. GORRELL, DIRECTOR, OFFICE OF BUDGET

Secretary WATT. Thank you. I will put the full text of my statement in the record and I would highlight that so we can move to questions as quickly as possible.

[The prepared statement of Secretary Watt follows:]

Statement of James G. Watt, Secretary of the Interior
Before the Senate Committee on
Energy and Natural Resources

February 2, 1983

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to discuss the FY 1984 budget for Interior programs.

The 1984 budget for Interior programs is tailored to promoting basic priorities while reducing expenditures on less essential activities. The budget proposal provides significant dollar increases for Western water projects and for the reclamation of abandoned lands scarred by past coal mining activity. It also provides top priority increases to sustain my initiatives to restore and improve our National Parks and Wildlife Refuge lands and to improve the economies and self-government of Indian tribes.

The amount requested under all of the Department's discretionary programs is $75 million below comparable 1983 levels. The discretionary budget represents many internal programmatic adjustments, but it is essentially a level budget. Mandatory programs are increased by $487 million. The new budget is higher than 1983 levels primarily because it includes a one-time increase of $312.7 million in payments to Western States from their share of receipts from Federal onshore mineral leasing, as required by recently enacted legislation. Overall, the budget for the Department of the Interior totals $6.432 billion, an increase of $412 million over the comparable 1983 level of $6.020 billion. Of the total request for 1984, $4.532 billion falls under the jurisdiction of this Committee. For your information, I have attached tables estimating total funding for Interior programs, as well as funding for programs under the jurisdiction of this Committee.

We estimate that FY 1984 receipts from oil and gas leasing on the Outer Continental Shelf will total $11.9 billion and that offsetting receipts will amount to an additional $3 billion. The total estimate of revenue for the Department is more than $15 billion. This is more than double our total budget request.

States where coal mining is important will also receive a significant increase to restore abandoned mined lands in 1984. Although not included within the Interior budget, our National Parks and Indian reservations will receive a major increase in 1984 for road construction and rehabilitation from the recently enacted Surface Transportation Assistance Act. There is also a large increase -- $194 million -- in the amount requested for the Bureau of Reclamation compared with the amounts available under the Continuing Resolution.

Increases in the budget are proposed in a number of other areas, including, for example, National Park operations, National Wildlife Refuge rehabilitation, Indian self-help initiatives, the administration of the mining laws, and scientific investigations of the problems of acid rain and toxic wastes. Reductions in the Interior budget are proposed in a number of activities and, in large measure, reflect our plans to ask for State, local, and private cost-sharing of many services formerly provided at Federal expense.

Before getting into the specifics of the FY 1984 budget for Interior programs, I would like to talk briefly about what we have accomplished during the past two years. In my view, the Administration has made substantial progress in improving the management of our Nation's valuable natural resources, and the counsel and assistance of this Committee have been significant factors in these achievements.

As you know, two years ago it was critical that we bring about changes in the way our natural resources were being managed so that we could overcome the problems we inherited in January of 1981. During our first year in office, we developed and announced policy changes in the Department. In our second year in office, we began to implement these changes. A discussion of these changes is provided in my annual report entitled 1982, A Year of Progress: Preparing for the 21st Century. I have made copies of this report available to you and other members of this Committee.

The results of our efforts have been rewarding. Today, the Federal estate and our other natural resources -- including the National Parks and Refuges, the coastal barriers, the wetlands, and the public lands -- are better managed than they were two years ago. An aggressive program is also underway to provide our Western States with the water resources they will need for the years ahead.

We have provided the stewardship that is needed to protect and conserve this Nation's natural resource heritage, and at the same time we have laid the groundwork to enhance America's national security and our quality of life and environment, and to create jobs in the private sector. But, as we approach the 21st century, there is still much that needs to be done. The 1984 budget provides the support necessary to continue and strengthen our efforts to be proper stewards of the resources for which Interior has responsibility and to promote the economic and social resources of Indian tribes and Island Territories under our administration.

I am proposing a total of more than $253 million for park restoration and improvement activities which will raise the three year total for this effort to $661 million. This includes more than $153 million in 1984 from Park Service appropriations and $100 million which will become available in 1984 from the Highway Trust Fund for construction and rehabilitation of park roads. Originally proposed as a five-year, $1 billion initiative, this program has provided a significant increase in funding for capital development, historic preservation, and maintenance projects. The 1983 appropriation further expanded the program to address critical natural resources problems; this is continued in 1984.

Since the program began in 1982, it has resulted in major improvements to water and sewer systems, historic buildings, and park roads and trails. It has permitted the Park Service to perform urgently needed preservation work on irreplaceable cultural resources in areas as diverse as Mesa Verde National Park and Independence National Historical Park. I am pleased to point out that, according to the General Accounting Office, substantial progress has been made in correcting the health and safety-related deficiencies in park facilities that had been documented in previous reports.

The 1984 budget proposes both funding and staffing increases for visitor services to park areas, specifically for seasonal rangers to improve interpretation, for visitor protection and safety, and for resources management. About $5 million is included to fund approximately 350 additional seasonal rangers and related supported costs.

Passage of the Surface Transportation Assistance Act of 1982 results in funding for road construction in the National Parks and on Indian reservations at $75 million each in 1983 and $100 million each in 1984. These sums will come from the Highway Trust Fund administered by the Department of Transportation. The new construction will create many private-sector jobs as contractors put their crews to work. In addition, it will improve badly needed access for Indian enterprise and improve the economy and employment opportunities on reservations. In 1983, the $75 million from the Highway Trust Fund will supplement the $44 million already appropriated for road construction, for a total program of $119 million. Moreover, National Park visitors will benefit by using safer roads and bridges which had been deteriorating before we initiated our Park Restoration and Improvement Program in FY 1982. In conjunction with support for road construction under the Highway Trust Fund, we are requesting a rescission of $63.6 million from the National Park Service's 1983 construction appropriation. These funds were appropriated for road projects which can now be accomplished from the Highway Trust Fund.

In 1984, I am proposing to establish the Accelerated Refuge Maintenance and Management program (ARMM) to increase funding significantly throughout the Nation's Wildlife Refuge System in order to decrease the maintenance backlog and to restore facilities on the refuges which have deteriorated. The budget includes $16.6 million for this initiative.

The 1984 budget includes $193.9 million for 23 States for mine land reclamation work, a funding increase of more than $61 million -- or nearly 50 percent -- above 1983. These funds, which are administered by the Office of Surface Mining, come from the Abandoned Mine Reclamation Fund. An increase of this magnitude is possible because of the tremendous progress the States have made in improving their capability to manage reclamation projects since assuming primacy for regulating coal mining operations within their boundaries.

With regard to energy and minerals leasing, when I appeared before you last year, we discussed the creation of the Minerals Management Service. Since then, I have taken further steps to improve the collection of mineral leasing revenue and to consolidate mineral leasing and resource management functions.

In May all Outer Continental Shelf functions were consolidated in the MMS and onshore energy and mineral operations were consolidated in the Bureau of Land Management in December. I took these steps to improve service to the public for Federal mineral leasing and development actions by placing in a single agency the responsibility for the multiple use management of both surface and subsurface Federal lands resources. At the same time, I made the MMS responsible for all aspects of OCS leasing as well as all mineral revenue management and the distribution of mineral leasing receipts.

The 1984 budget ensures funding levels to fully accommodate the five-year Outer Continental Shelf leasing program. Under the five-year schedule which I announced last July, the private sector will have greater flexibility to make leasing and exploration decisions within proper environmental safeguards. It is well to remember that we have a major environmental studies effort related to OCS leasing. Through 1983, we will have spent about $348 million studying the environmental aspects of OCS leasing and we have scheduled another $27.9 million for this purpose in 1984. Overall, the safety record on the OCS is good, and its environmental risk is low compared to other contributors to marine pollution. For example, from 1977 through 1981, when more than 1,400,000,000 barrels of oil were produced from the OCS, spills of more than 50 barrels have amounted to less than 5,352 barrels spilled annually. Further, the National Academy of Sciences has estimated that, world-wide, offshore production is responsible for only slightly more than one percent of all petroleum entering the oceans. Seven OCS sales are proposed for 1984, including three in the Gulf of Mexico, one in the Atlantic, one in California, and two in Alaska --one of which will be in the Navarin Basin and the other in the Diapir Field.

During 1982 and 1983, the Department made special efforts to accelerate leasing in the onshore oil and gas program in order to eliminate backlogs. Consequently, the program emphasis during 1984 will be on greater post-lease activity, such as the review and processing of applications for permits to drill. More than 30,000 oil and gas leases are expected to be issued in 1984. In addition, another lease sale for the National Petroleum Reserve in Alaska is scheduled.

In 1984, coal lease tracts will be offered for sale in five coal regions --San Juan River, Uinta-Southwestern Utah, Green River-Hams Fork, Southern Appalachian, and Powder River. Budgetary savings in the coal leasing program are possible in part because of a change in program emphasis to post-sale evaluation procedures.

We plan to hold a prototype oil shale lease sale in May of this year. The first permanent oil shale lease sale is scheduled for October 1984, and the first tar sands lease sale is scheduled for May 1984. Budgetary savings in the oil shale program can be accommodated because some initial activities, such as the development of regulations and the programmatic environmental impact statement to establish the permanent program, will be completed during 1983.

The 1984 budget includes nearly $1 billion in payments to States from receipts from Federal onshore mineral leasing, an increase of $439 million, or 78 percent, over 1983. Most of this increase results from provisions of the Federal Oil and Gas Royalty Management Act of 1982, which the President signed into law on January 12. Under the new law, States will receive payment of their share of mineral leasing receipts on a monthly basis, effective October 1, 1983. This results in a large, one-time increase of $312.7 million during 1984, when payments covering 17 months of receipts will be made.

Currently the Federal Government bears the entire cost of collecting mineral leasing revenues, even though the States generally receive 50 percent of these collections. Beginning in 1984, we are proposing that the costs for collecting these revenues be deducted from mineral leasing receipts prior to their division between the States and the Treasury. It is also proposed that the payments in lieu of taxes programs administered by the Bureau of Land Management and the Fish and Wildlife Service be deducted in a similar fashion. I am pleased to emphasize that funding for both of these in lieu payment programs will be continued at their 1983 levels.

Intense efforts to improve the Department's royalty management program have already resulted in the collection of some $58 million in previously uncollected receipts by December 1982. Even higher collections are expected in the future. Nevertheless, the 1984 budget for the MMS royalty management program can be reduced by $4.6 million, primarily as a result of the phase-out of contract support for the design and development of new automated systems to collect and account for these revenues.

Nearly $55 million is included in 1984 for land acquisition activities of the National Park Service to pay court awards relating to land acquisition in six recently authorized areas, emergency and hardship acquisition in inholdings, general deficiency awards and relocation expenses, and administrative costs. This level of funding will continue the Department's policy of limiting new land purchases so that our resources can be devoted to maintaining and enhancing park lands already in the National Park System.

No funds are included in 1984 for the Historic Preservation Fund. This is a savings of $26 million from the 1983 appropriation. Direct Federal support for historic preservation will be limited to National Historic properties which are part of the National Park System. Matching grants to States and to the National Trust for Historic Preservation will be eliminated. We believe this course is possible because of steps we have taken to encourage private sector involvement in the preservation of historic properties through the enhancement of economic and tax incentives. At the urging of the Department of the Interior, the Economic Recovery Tax Act of 1981 provides for a 25 percent income tax credit for historic preservation. In FY 1982, 1,802 projects qualified for an income tax credit representing more than $1.1 billion in private investment. In 1983, tax credits are estimated to be about $200 million, and are projected to increase to about $250 million in 1984. Developers who are benefiting from these tax credits will consequently share in historic preservation activities.

The 1984 budget for the Bureau of Reclamation includes $699.4 million for its construction program for continued work on 73 projects, including second-year activity on two projects planned for initiation in 1983 and preconstruction planning on one project. This is a substantial increase from the current level of $564 million for construction, primarily because the Bureau is operating under a Continuing Resolution in 1983 and construction money is held to 1982 levels.

I had originally asked for an increase of $118 million for water project construction in 1983 for work on multi-purpose projects throughout the West. However, because we do not have an appropriation bill for Energy and Water Development in 1983, there will be some construction delays. In December, we submitted an amendment to the original 1983 budget request to fund 10 new water project starts. Second-year funding for these projects is included in the 1984 request, with $14 million in the construction program and $20 million in the loan program. I am still hopeful that if this program can be initiated in 1983, construction work in 1984 will continue at the Buffalo Bill Dam in Wyoming and the Headgate Rock Diversion Dam in Arizona. Second-year funding for new projects in the loan program will be used to continue construction of irrigation and water conveyance systems, increase water storage capacity and for rehabilitation and improvement of existing systems.

The 1984 budget includes $17.7 million to continue the work of the Bureau of Reclamation on improving the safety of our dams. Activities will include continued work on nine dams, initiation of work on one dam, and several studies.

The continuing national program of the U.S. Geological Survey on water resources investigations is proposed for funding at about $112 million in 1984. This effort produces data and information on the availability, suitability, and use of water for water planning, water management, energy development, and the enhancement of environmental quality. Initiatives begun in 1982 to redirect program resources for studies of the effects of acid rain on lakes, rivers, and ground water, and of the relationship between toxic wastes and ground water contamination, are again proposed for expansion in 1984.

In 1982, I established a new Office of Water Policy to provide analysis on water issues and to serve as liaison to the States. In conjunction with this initiative, the Administration returned water policy deliberations to the Cabinet level by terminating the Water Resources Council. The Department's water research management programs were further streamlined by abolishing the Office of Water Research and Technology and merging ongoing work into related activities of the Office of Water Policy, the Bureau of Reclamation, and the Geological Survey.

Although not requested in the budget, the 1983 Interior appropriations include funds to continue support for the State water research institutes and for Federal water research activities. In the 1984 budget, we are again requesting that no funds be appropriated for these activities. I believe that Federal support for narrowly focused water research programs should not be continued during this time of fiscal austerity. I also believe that along with the right of the States to manage their water resources goes the responsibility for leadership in water resources research and development and that these functions are properly the responsibility of the States to meet their specific needs. I also expect that industry will continue to support research and development of new technology which has the greatest cost-effective potential.

No new funding is proposed for the mineral institutes because private sector and other public support should be available to help the institutes meet their program objectives. This results in a decrease of about $9.6 million in funding for the Bureau of Mines. A further reduction of about $5 million results from the decision not to continue funding for the coal mining productivity research transferred from the Department of Energy to the Bureau of Mines in the 1983 Appropriations Act because the private sector should also assume responsibility for this type of research.

The budget for the Bureau of Land Management provides for recovering from applicants more of the costs incurred in processing applications and permits for rights-of-way. Emphasis on volunteerism and private investment on the public lands is pertinent to the BLM's grazing, recreation, cultural, and wildlife programs, where costs can be shared with State and local governments or individuals.

The 1984 budget also includes $20.3 million to continue to implement a change in policy concerning the National Fish Hatchery System which was begun in 1983. Through 1982, the National Fish Hatchery System operated facilities to produce fish for Federal priorities as well as stocking lower priority State and Indian waters. During consideration of the 1983 budget, the Congress concurred in closing or transferring 20 of these lower priority facilities by the beginning of 1984. The 1984 budget includes funds to operate and maintain priority hatcheries, while transferring four hatcheries that primarily serve Indian needs to the Bureau of Indian Affairs and again proposing 20 of the remaining low priority hatcheries for closure or transfer to the States. In 1983, two of the hatcheries proposed for closure or transfer were taken over by the States, and some States have expressed interest in assuming operations of other hatcheries proposed for closure. In addition, legislation is being proposed with the budget to ensure that the Bonneville Power Administration meets its obligation for funding mitigation hatchery operations along the Lower Snake River.

The 1984 budget also proposes legislation to nearly double the funding available to acquire essential habitat for waterfowl by increasing the price of a migratory bird hunting and conservation stamp to $15.00. This increase is expected to provide for the preservation of an additional 16,730 acres in 1984, for a total acquisition program of 47,030 acres.

Regarding our Territorial programs, the 1984 budget encourages private sector initiatives and promotes economic development. For example, the budget includes $2 million for costs associated with the creation of an Insular Development Bank which will provide loan capital through both Federal and private sources to finance economic development projects in the U.S. Territories. The Development Bank will replace the ad-hoc Federal grant process that has existed for the past several years. The budget also includes an additional $5 million for further work on construction of a hospital in the Northern Mariana Islands. The request for the Trust Territory of the Pacific Islands also includes $10.9 million for capitol relocations and $8.5 million for construction projects included in the Capital Improvement program.

Our 1984 budget helps to implement the President's Indian policy. In order to help develop healthy reservation economies, not only will we continue the major roads program which I described earlier, but I propose to double the economic development initiative begun in 1983 to a 1984 level of $10 million. These funds have the potential for generating $30 million in private sector contributions to economic development on reservations.

I am also continuing to encourage tribes to assume greater responsibility for services such as enforcement of tribal laws, developing and managing resources, providing social services, and other programs. Contracting by tribes to operate these programs now totals more than $223 million. We expect total contracting to reach up to $235 million by FY 1984. In order to support that contracting, I am proposing funding increases of $3.5 million, for a total of $34.8 million in 1984, to cover tribal administrative costs. I am also proposing doubling to $5 million our initiative to assist small tribes in developing their core management capability. In order to help finance increases for on-reservation improvements, we are continuing to reduce overhead costs in the Bureau of Indian Affairs. The full year savings of the $8 million reduction in 1983 will total approximately $17.4 million in FY 1984. In addition, $14.6 million will be provided for construction of a junior/senior high school for the Hopis on their own reservation.

Mr. Chairman, this concludes my prepared remarks. I do, however, enlist your continuing support in making this year as successful as the previous two years have been in carrying out our mutual objectives for this Nation.

DEPARTMENT OF THE INTERIOR

Budget Authority and Outlays

(In thousands of dollars)

Bureaus/Offices	Budget Authority 1982 Actual	Budget Authority 1983 Estimate a/	Budget Authority 1984 Estimate	Outlays 1982 Actual	Outlays 1983 Estimate	Outlays 1984 Estimate
LAND AND WATER RESOURCES						
Bureau of Land Management	1,240,698	1,118,121	584,877	1,201,886	1,101,191	565,298
Bureau of Reclamation	778,607	808,709	1,002,585	815,708	849,977	1,005,848
Total, Land and Water Resources	2,019,305	1,926,830	1,587,462	2,017,594	1,951,168	1,571,146
FISH AND WILDLIFE AND PARKS						
Fish and Wildlife Service	441,463	468,944	475,954	460,630	496,369	488,324
National Park Service	802,355	857,276	739,185	1,012,500	1,134,972	984,583
Total, Fish and Wildlife and Parks	1,243,818	1,326,220	1,215,139	1,473,130	1,631,341	1,472,907
ENERGY AND MINERALS						
Geological Survey	510,042	393,657	365,956	531,694	445,682	380,186
Minerals Management Service	--	198,495	1,150,952	--	166,021	1,160,037
Bureau of Mines	150,846	145,368	118,383	152,337	169,252	133,663
Office of Surface Mining	173,848	222,192	282,299	118,763	141,112	180,184
Total, Energy and Minerals	834,736	959,712	1,917,590	802,794	922,067	1,854,070
Bureau of Indian Affairs	1,515,939	1,487,827	1,419,605	1,431,552	1,415,916	1,451,388
Territorial & International Affairs	257,600	226,771	209,939	316,688	293,066	237,953
Office of the Solicitor	17,750	19,067	18,647	17,575	18,686	18,487
Office of the Inspector General	13,369	21,900	17,185	10,441	21,730	21,100
Office of the Secretary	45,113	51,601	46,854	52,078	53,619	48,493
TOTAL, DEPARTMENT OF THE INTERIOR	5,947,630	6,019,928	6,432,421	6,121,852	6,307,593	6,675,544

a/ For programmatic comparison FY 1983 excludes $59 million in fire supplementals and $30 million in National Park Service contract authority and includes $42 million for Department of Interior pay supplemental, a proposed $63.6 million rescission for National Park Service road construction, and $16.5 million in transfers to the USGS.

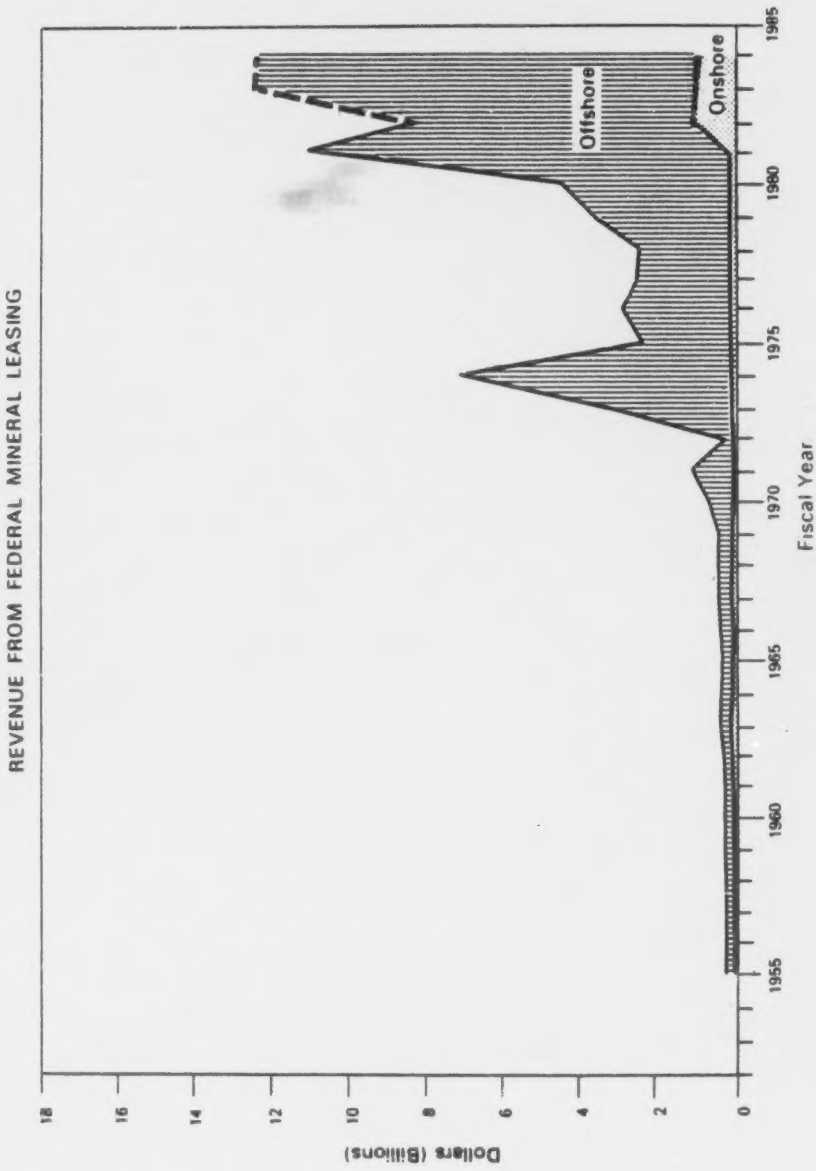
DEPARTMENT OF THE INTERIOR

FY 1984 President's Budget
Analysis of Budget Authority
By Senate Authorizing Committee

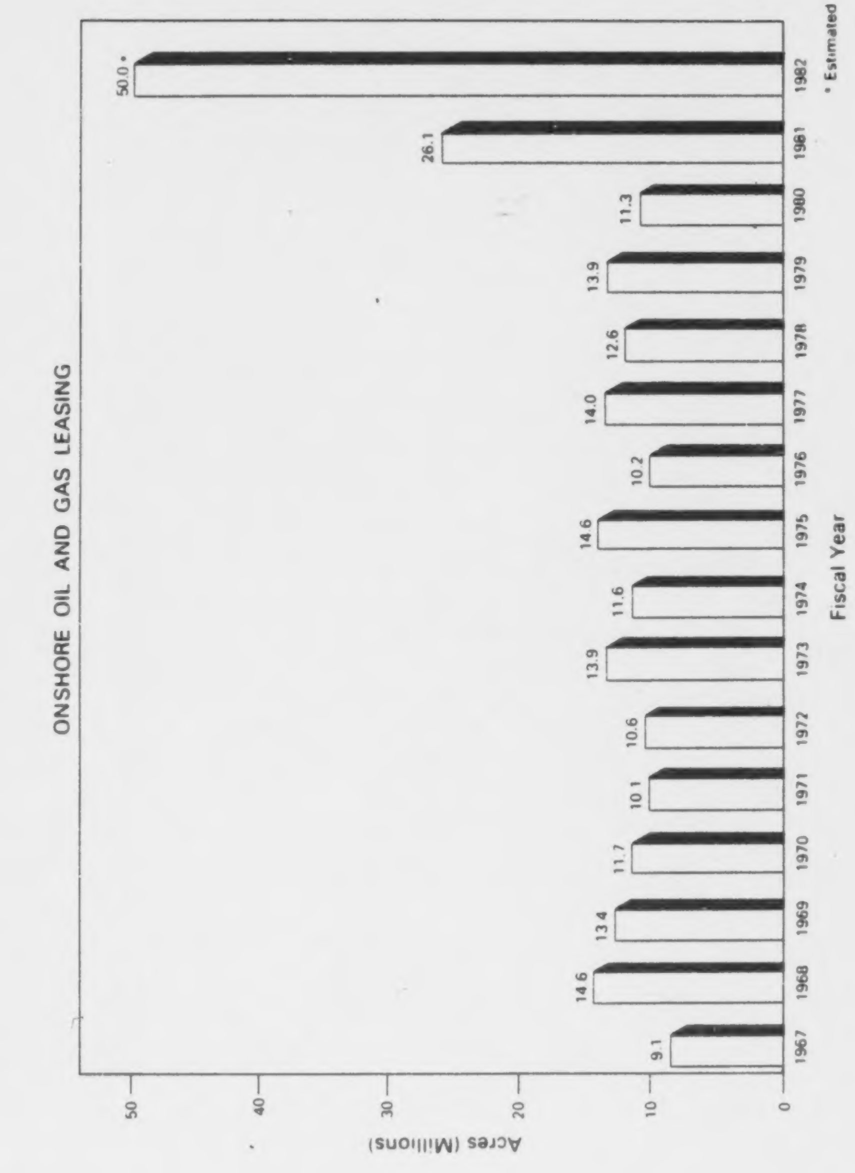
(Dollars in thousands)

	1982 Actual	1983 Estimate [1/]	1984 Estimate
I. ENERGY AND NATURAL RESOURCES COMMITTEE			
Bureau of Land Management	1,240,698	1,118,121	584,877
Bureau of Reclamation			
All except former OWRT water research programs	778,607	802,709	1,002,115
Fish and Wildlife Service			
Resource management, part [2/]	(1,811)	(1,655)	(1,655)
Migratory bird conservation, part [3/]	(200)	(200)	(200)
National Park Service			
All except John F. Kennedy Center	798,143	852,940 [4/]	734,843
Geological Survey	510,042	393,657	365,956
Minerals Management Service	--	198,495	1,150,952
Office of Surface Mining	173,848	222,192	282,299
Bureau of Mines	150,846	145,368	118,383
Territorial and International Affairs	257,600	226,771	209,939
Secretarial Offices			
All except former OWRT programs	76,232	86,218	82,686
TOTAL, ENERGY AND NATURAL RESOURCES	3,986,016	4,046,471	4,532,050
II. ENVIRONMENT AND PUBLIC WORKS COMMITTEE			
Bureau of Reclamation			
Former OWRT water research programs	--	6,000 [5/]	470
Fish and Wildlife Service,			
All programs [6/]	441,463	468,944	475,954
National Park Service			
John F. Kennedy Center	4,212	4,336	4,342
Secretarial Offices			
Former OWRT programs	--	6,350	--
TOTAL, ENVIRONMENT AND PUBLIC WORKS	445,675	485,630	480,766
III. SELECT COMMITTEE ON INDIAN AFFAIRS			
Bureau of Indian Affairs	1,515,939	1,487,827	1,419,605
TOTAL, SELECT COMMITTEE ON INDIAN AFFAIRS	1,515,939	1,487,827	1,419,605
TOTAL, INTERIOR DEPARTMENT - ALL COMMITTEES	5,947,630	6,019,928	6,432,421

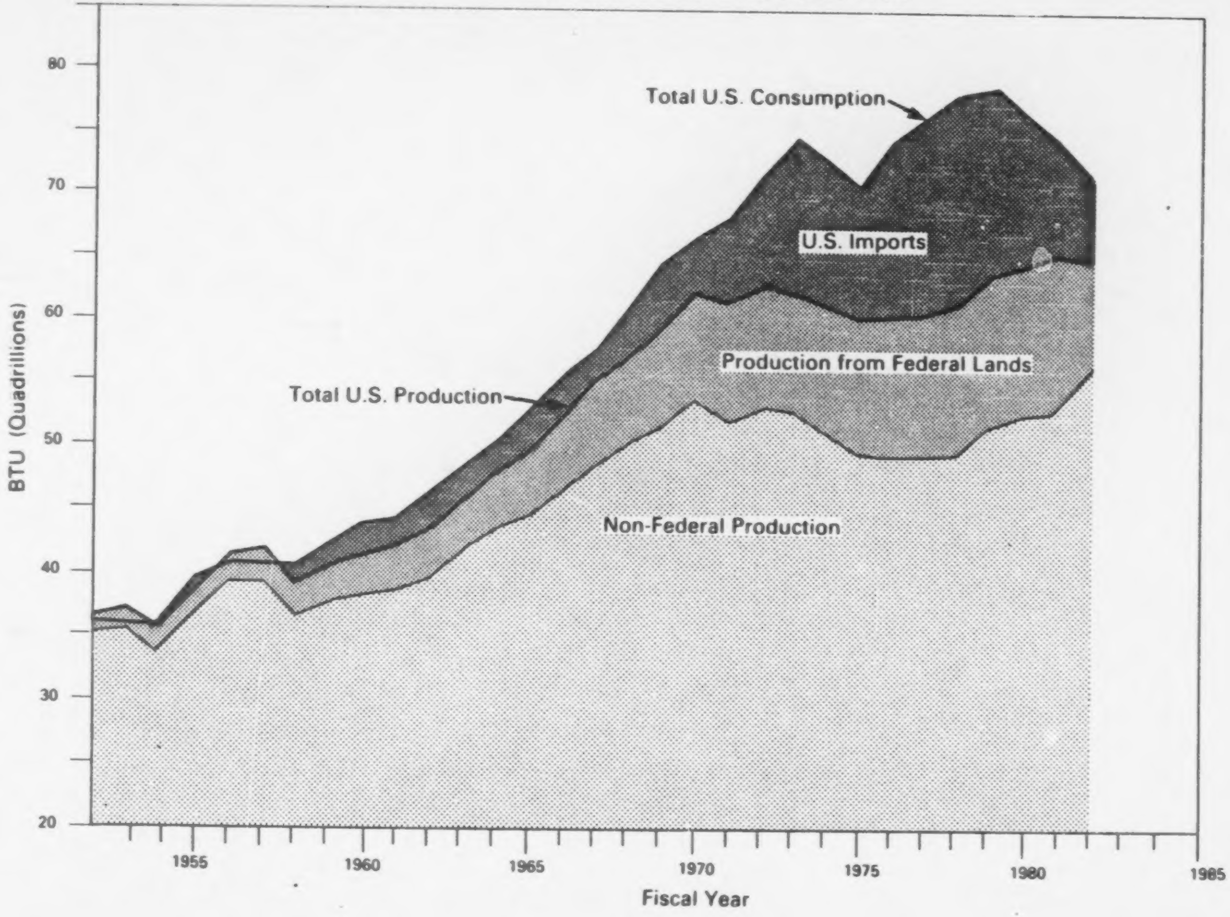
1/ Includes pay supplementals and transfers. Excludes proposed program supplementals.
2/ Jurisdiction shared with Environment and Public Works Committee.
3/ Jurisdiction shared with Environment and Public Works Committee.
4/ Excludes $30,000 contract authority.
5/ Transferred per P.L. 97-394 from FY 1983 appropriation for Office of Water Policy.
6/ Jurisdiction for some programs shared with Energy and Natural Resources Committee.

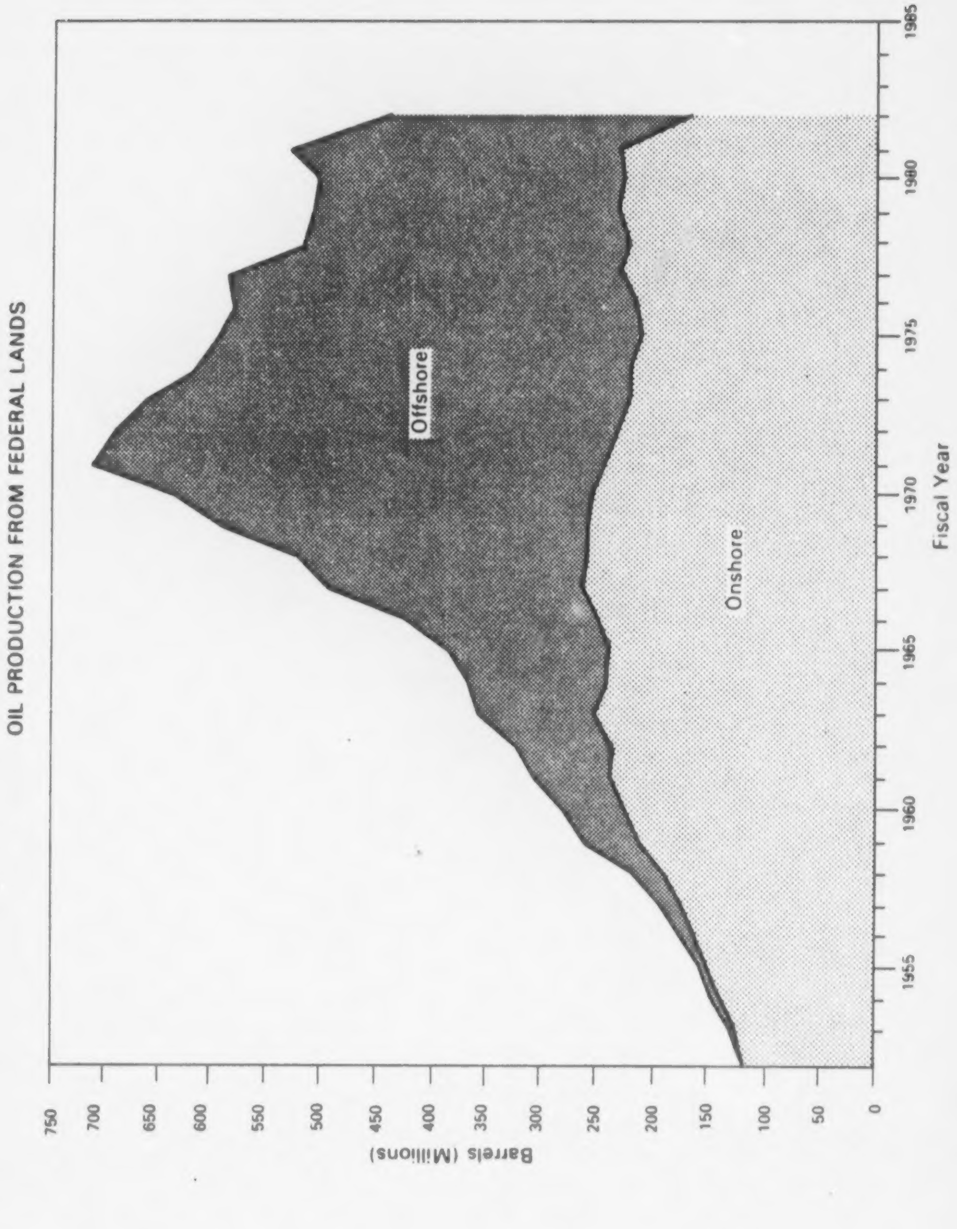


REVENUE FROM FEDERAL MINERAL LEASING


ONSHORE OIL AND GAS LEASING
Acres (Millions)
0
10
20
30
40
50
Fiscal Year
1967
1968
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
9.1
14.6
13.4
11.7
10.1
10.6
13.9
11.6
14.6
10.2
14.0
12.6
13.9
11.3
26.1
50.0 *
* Estimated

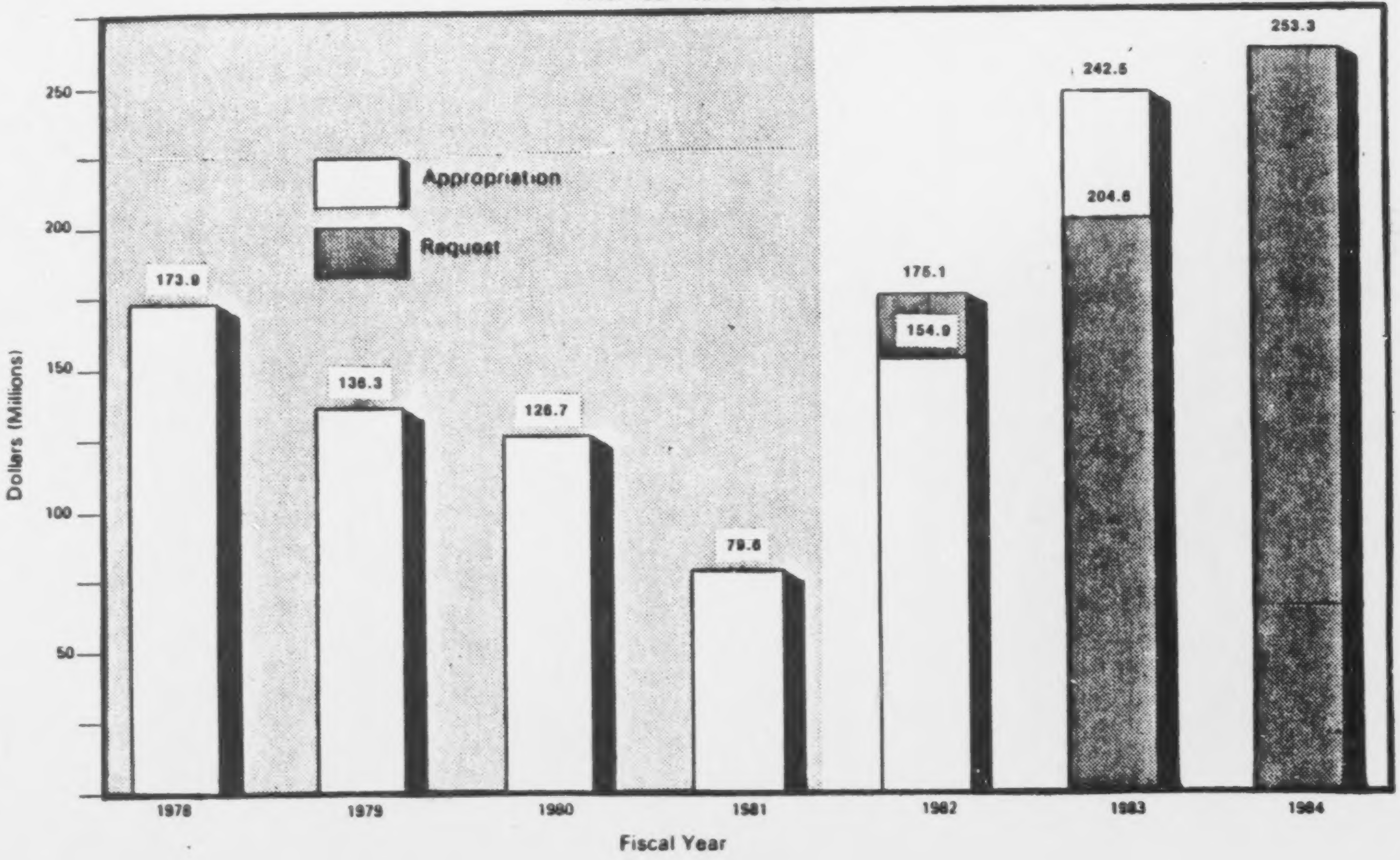
U.S. ENERGY PRODUCTION AND CONSUMPTION

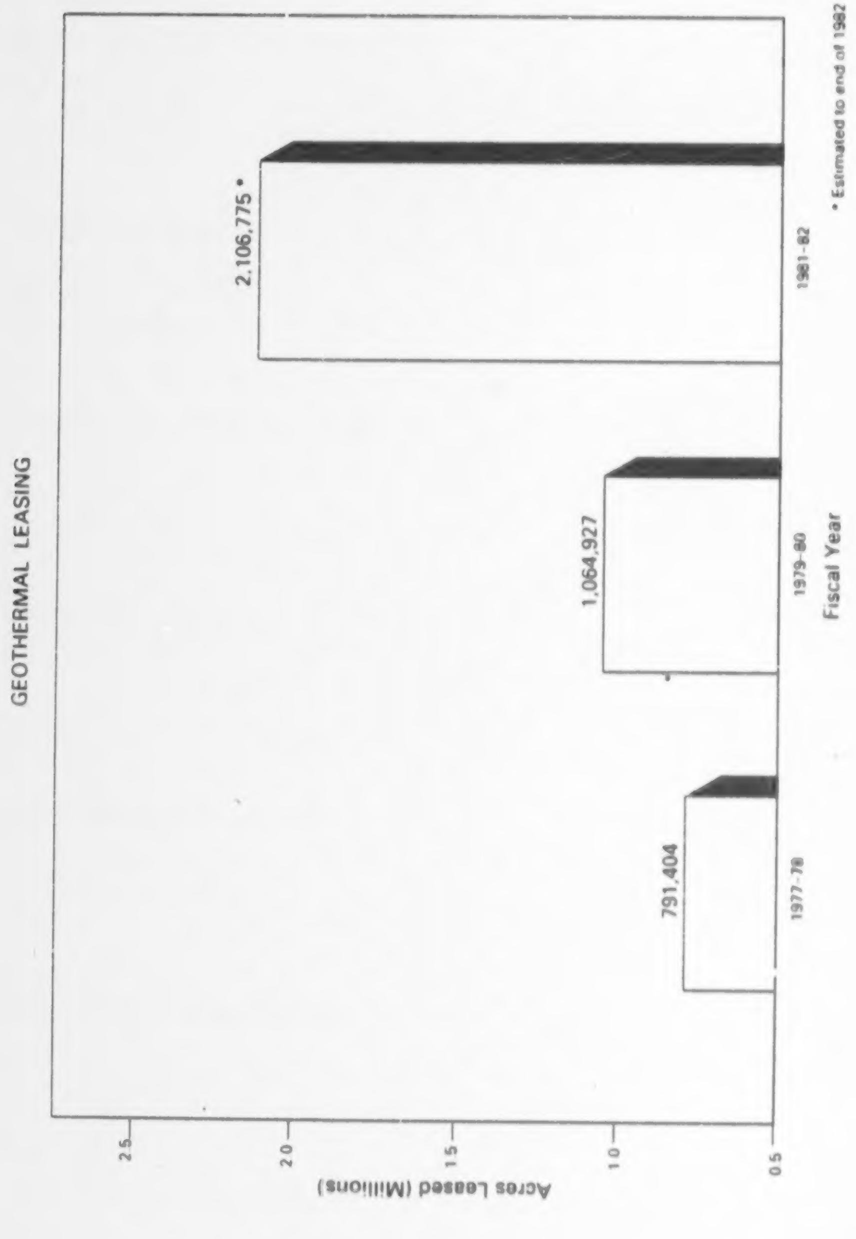




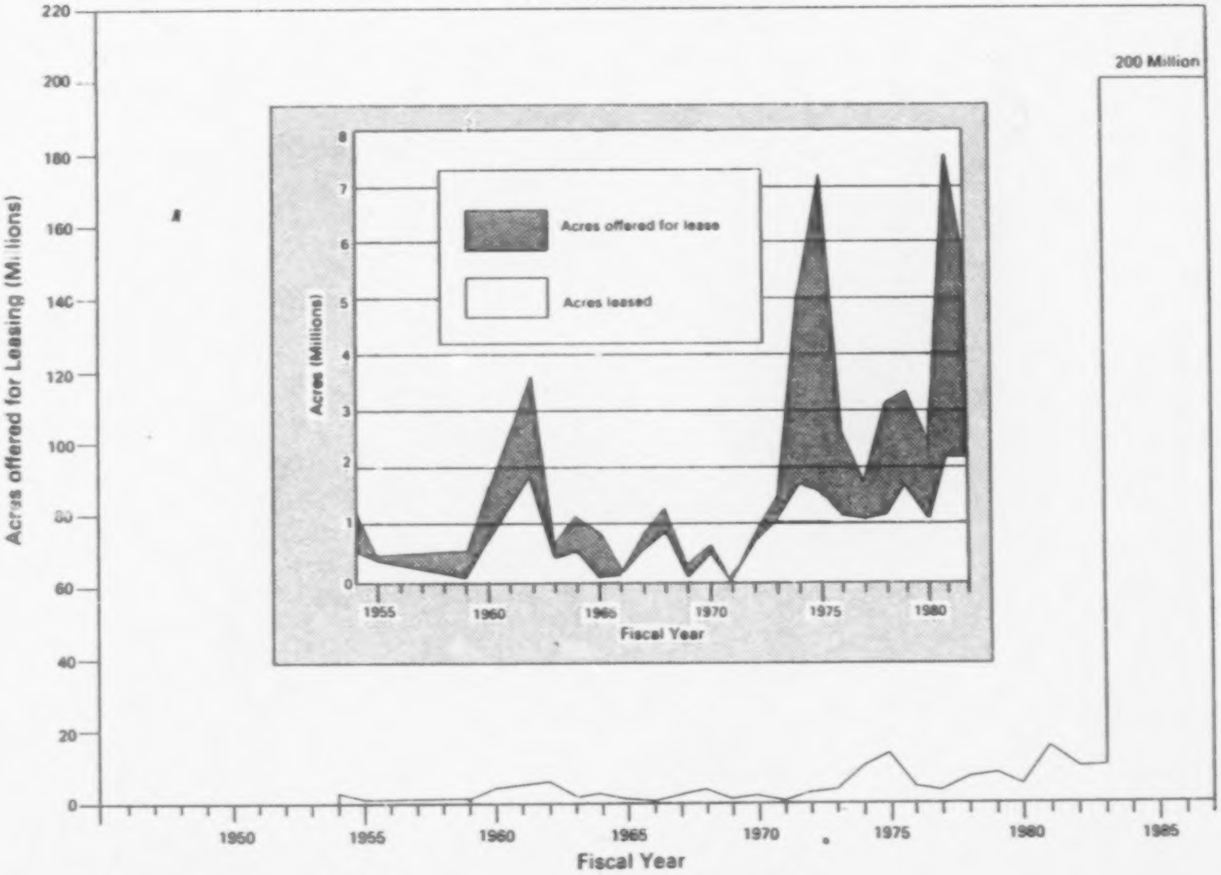
OIL PRODUCTION FROM FEDERAL LANDS

RESTORATION OF THE PARKS
Fiscal Year 1978 –1984

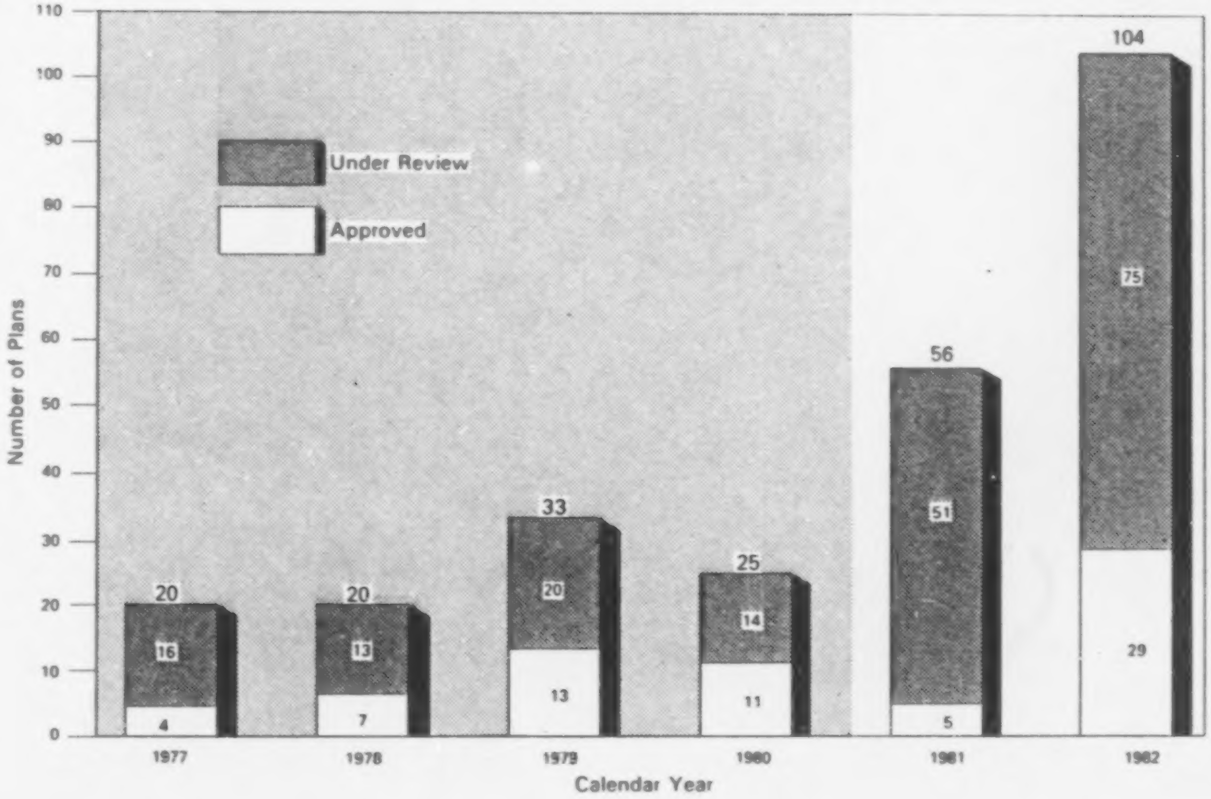


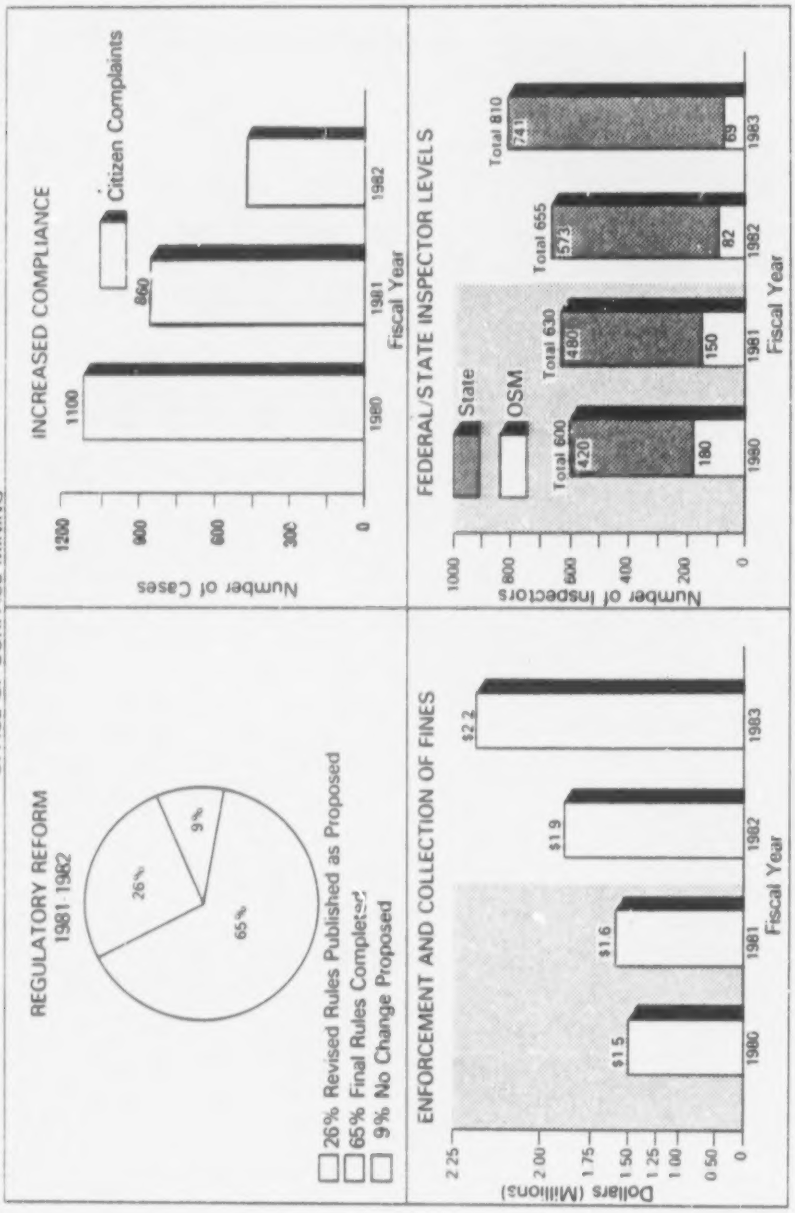

GEOTHERMAL LEASING
Acres Leased (Millions)
2.5
2.0
1.5
1.0
0.5
791,404
1,064,927
2,106,775 *
1977-78
1979-80
1981-82
Fiscal Year
* Estimated to end of 1982

OFFSHORE LEASING

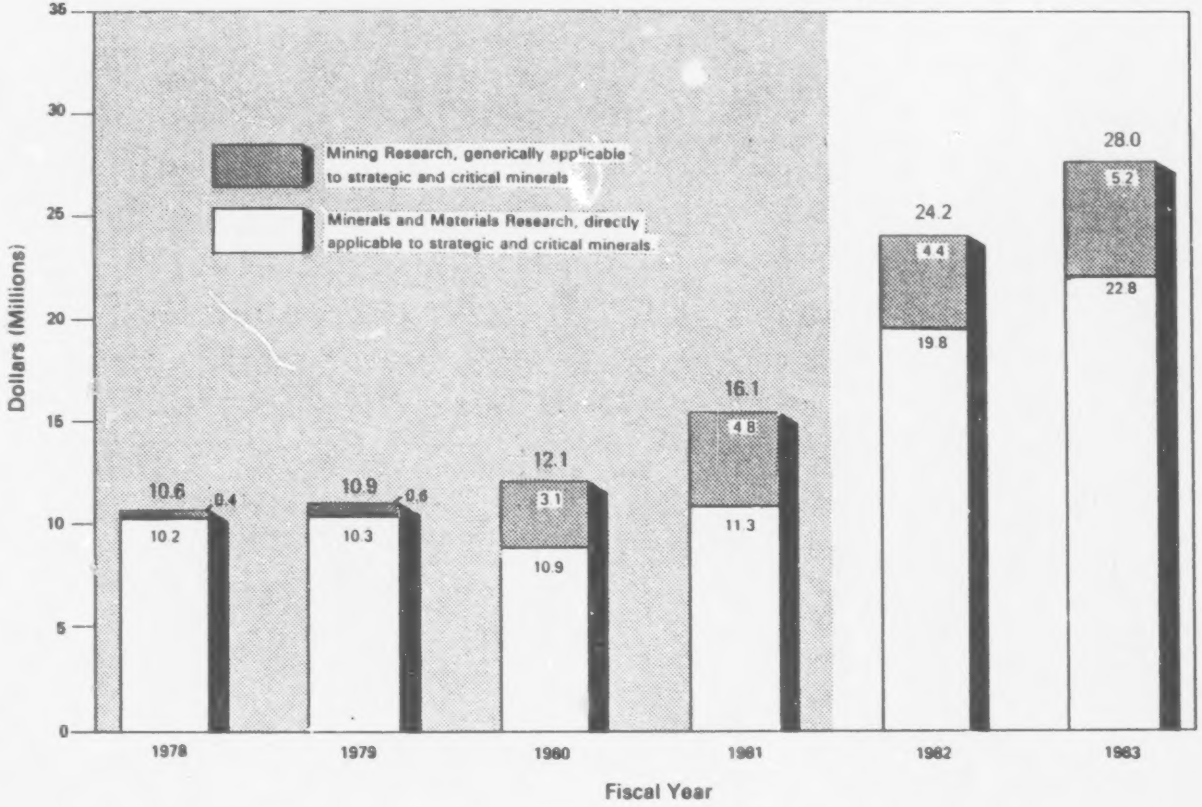


ENDANGERED SPECIES RECOVERY PLANS



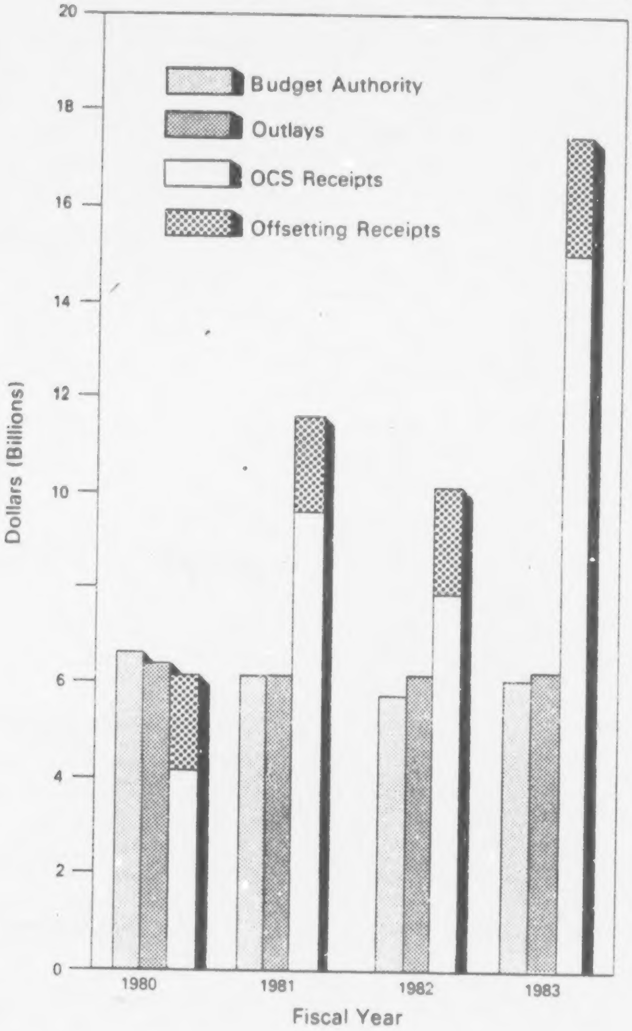

OFFICE OF SURFACE MINING
REGULATORY REFORM
1981-1982
26%
9%
65%
26% Revised Rules Published as Proposed
65% Final Rules Completed
9% No Change Proposed
INCREASED COMPLIANCE
Citizen Complaints
Number of Cases
1200
900
600
300
0
1100
860
1980
1981
1982
Fiscal Year
ENFORCEMENT AND COLLECTION OF FINES
Dollars (Millions)
2.25
2.00
1.75
1.50
1.25
1.00
0.50
0
$1.5
$1.6
$1.9
$2.2
1980
1981
1982
1983
Fiscal Year
FEDERAL/STATE INSPECTOR LEVELS
State
OSM
Number of Inspectors
1000
800
600
400
200
0
Total 600
420
180
Total 630
480
150
Total 655
573
82
Total 810
741
69
1980
1981
1982
1983
Fiscal Year

STRATEGIC AND CRITICAL MINERALS FUNDING

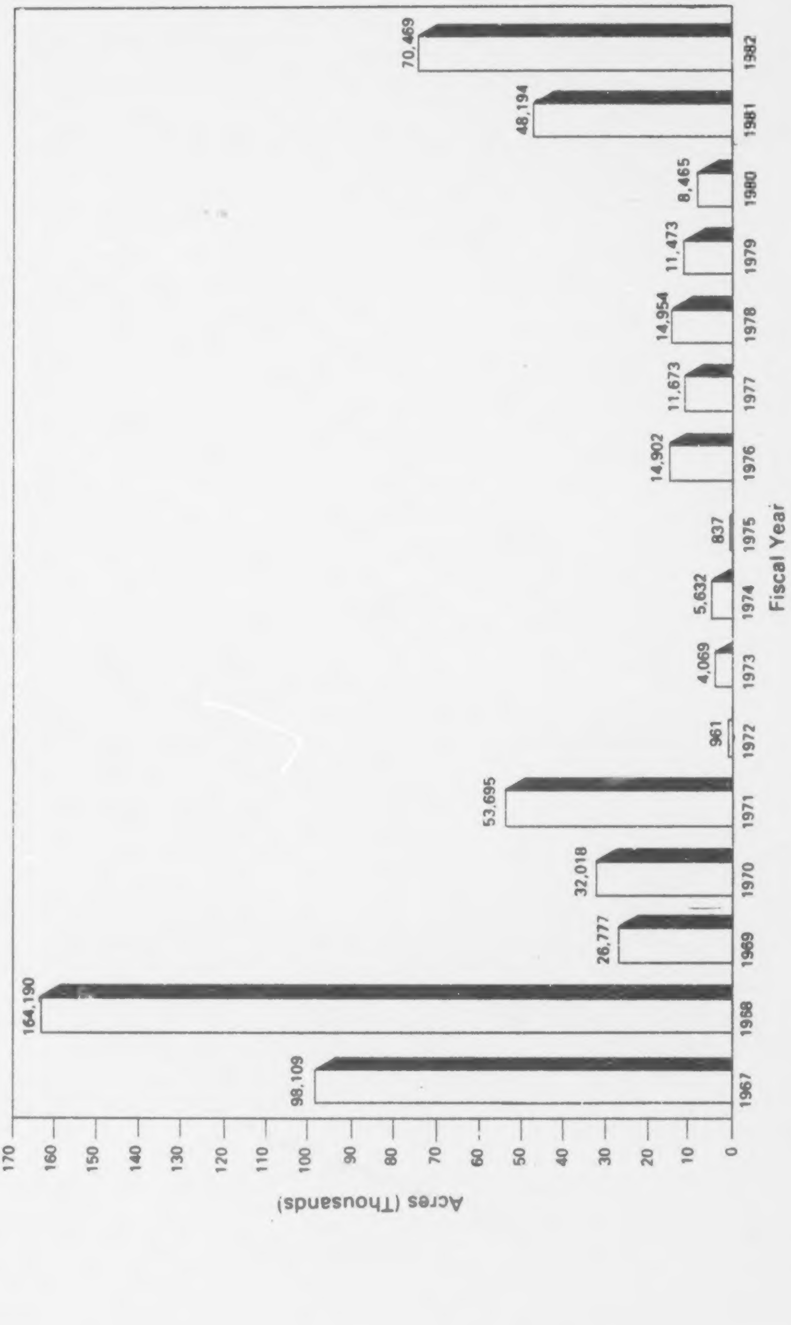


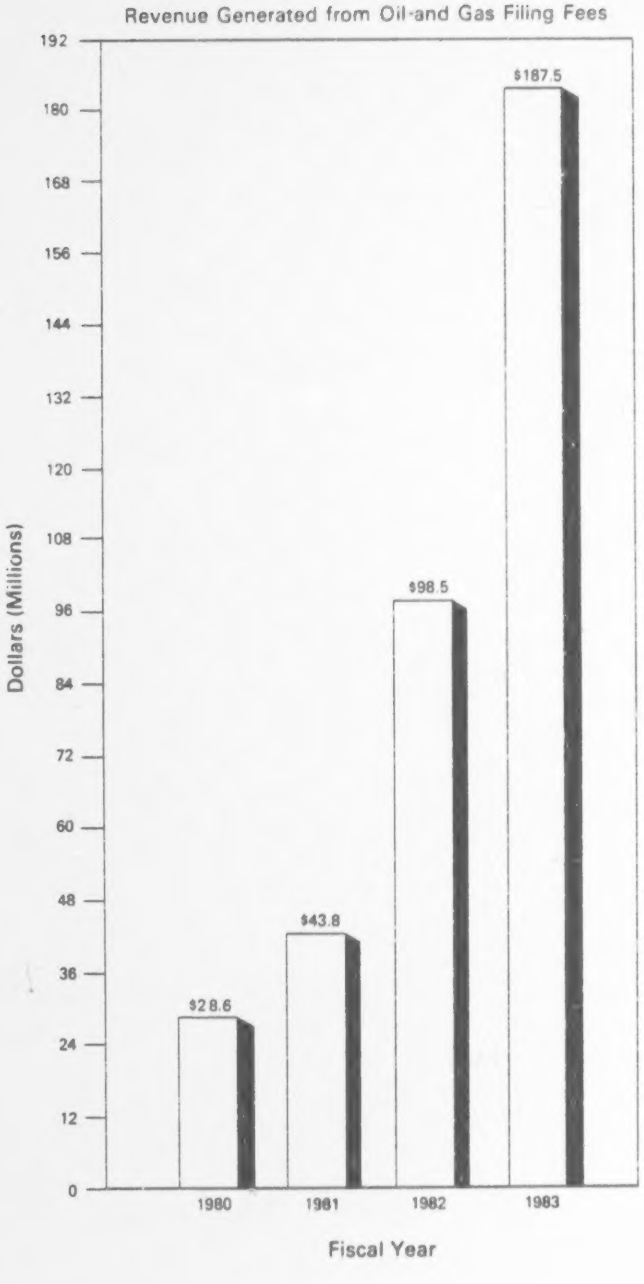
Spending Versus Income

Comparison of Budget Authority and Outlays with Receipts



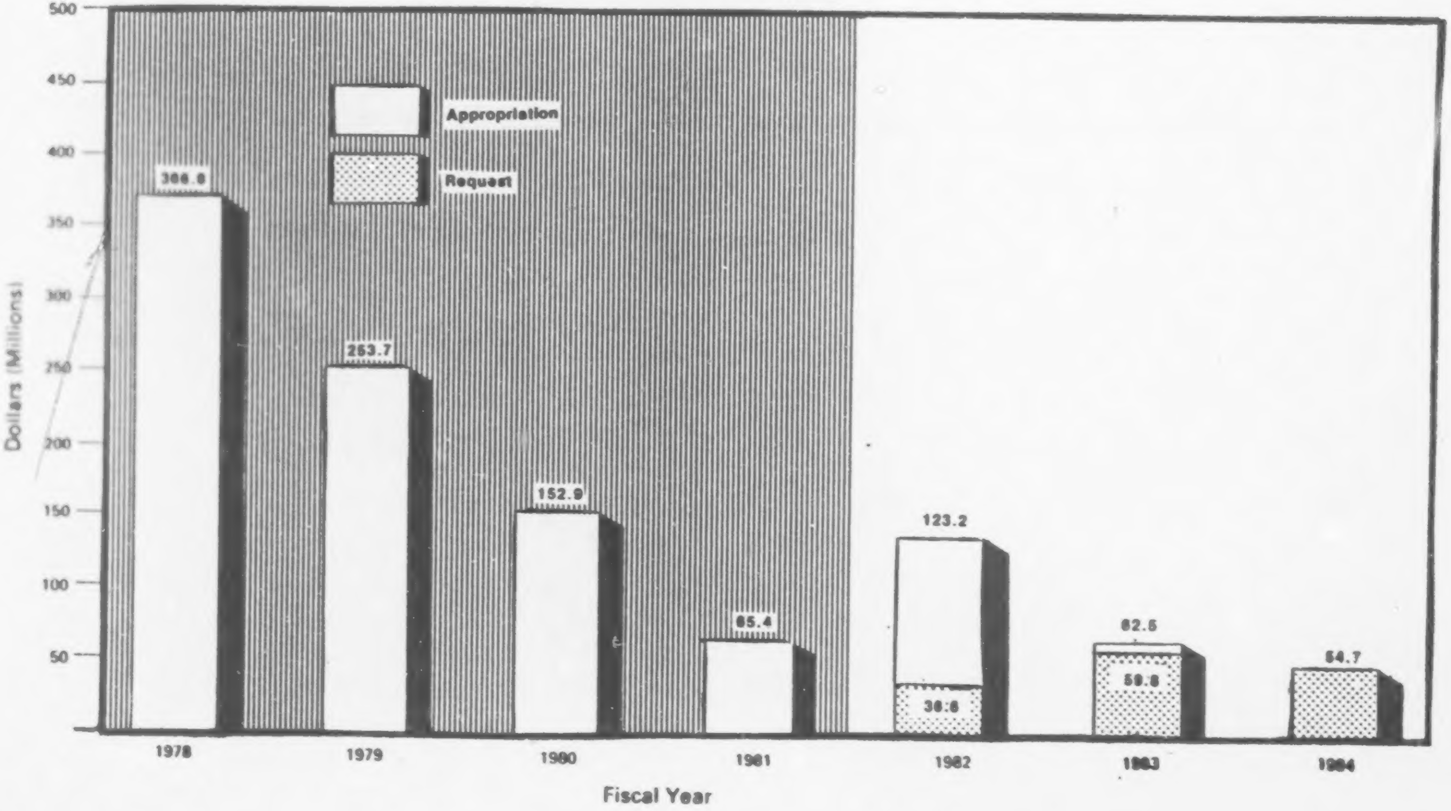
COAL LEASING



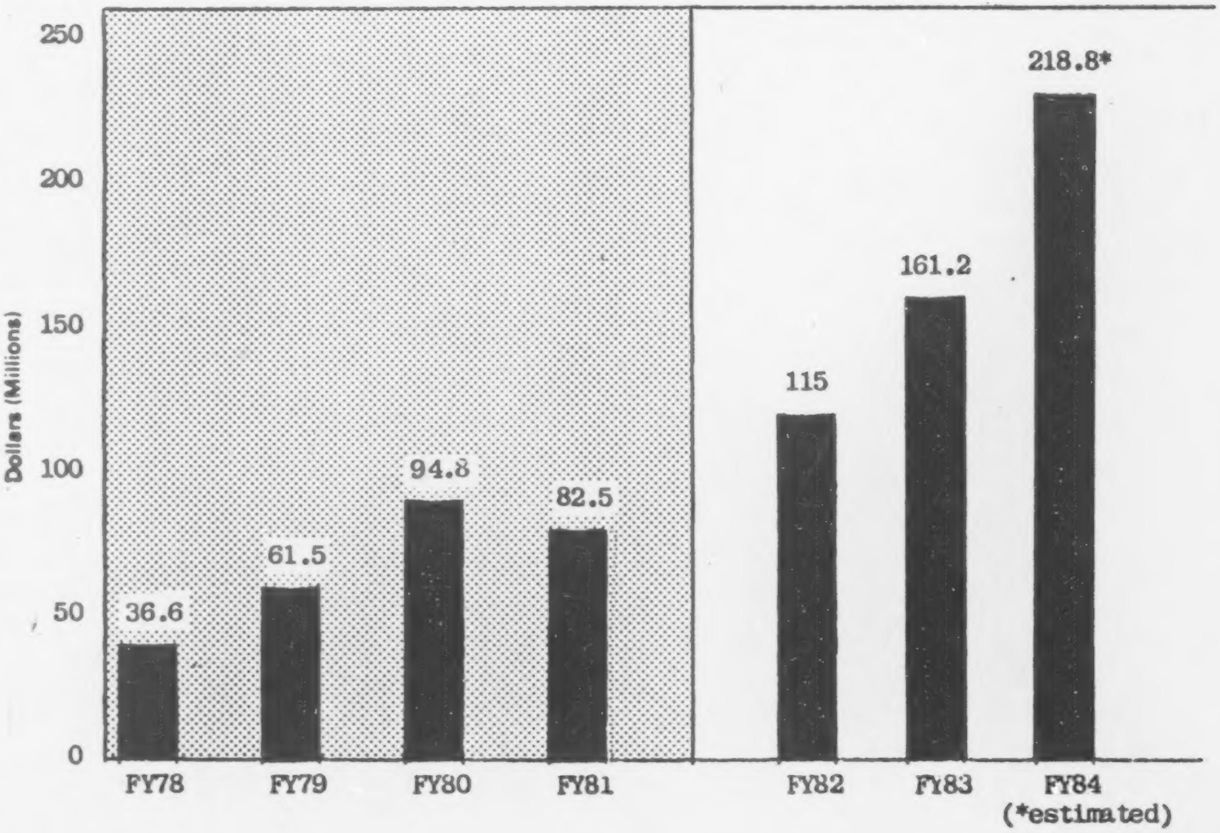

Revenue Generated from Oil-and Gas Filing Fees
192
180
168
156
144
132
120
108
96
84
72
60
48
36
24
12
0
Dollars (Millions)
$28.6
$43.8
$98.5
$187.5
1980
1981
1982
1983
Fiscal Year

NATIONAL PARK LAND ACQUISITIONS

Fiscal Year 1978 – 1984



ABANDONED MINED LAND FUND
FY 1978 - FY 1984



United States Department of the Interior
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

January 20, 1983

Honorable Ronald W. Reagan
The President
The White House
Washington, D.C. 20500

Dear Mr. President:

In January 1981, we found our Nation's parklands, wildlife refuges, and other conservation areas poorly managed and suffering from neglect. Soon after taking office, I reported to you that the national parks had been allowed to deteriorate to such a state that the General Accounting Office had estimated it would cost over $1 billion to correct the safety and health hazards to the 300 million annual visitors.

Because you and I are dedicated to the concepts of stewardship -- taking care of what we have rather that reaching out for more -- we created the Park Restoration and Improvement Program. This is a 5-year, $1 billion program which concentrates on protecting the natural resource base and improving the physical facilities in our national parks. Much of our effort has been aimed at protecting the natural resource base and improving and upgrading the condition of facilities within older parks, which had been inadequately funded by previous Administrations.

Another major initiative our Administration has taken also improves opportunities for all Americans to visit and enjoy these national treasures. The highway improvement bill, which you signed on January 6, 1983, creates a federal lands tax highway program which will make Federal Highway Trust Funds available for park road construction needed to serve people and protect the resource base. This legislation will make $75 million available in fiscal year 1983 and $100 million available annually in fiscal years 1984, 1985, and 1986 for park road betterment projects.

In the spirit of your highly successful Private Sector Initiatives Program, we strongly believed that the private sector was capable and willing to help protect the Nation's natural and cultural resources. In the past two years, we have provided opportunities for the private sector to help, and the response has been phenomenal. This support is a vote of confidence in this Administration's policies and programs.

I want to share with you some of the success stories of our public/private partnerships for our parks:

- At Everglades National Park, the National Park Service for many years, at the taxpayers' expense, provided tram tours to the Shark Valley. Under a concessions contract, this activity now has been taken over by a private company - at no cost to the government.
- At Chattahoochee River National Recreation Area, the concessioner has expended almost $700,000 in one year for construction of two buildings and for the purchase of equipment and vehicles. In addition, this concessioner runs a program to transport children from low income families in the Atlanta area to the park. The children are given lessons in rafting and kayaking, and are taught the importance of conservation. They are also provided with bags to pick up litter while running and hiking in the park. Other private companies now are also sponsoring similar programs for disadvantaged children.
- At Yellowstone National Park, the concessioner has spent over $6,000,000 so far on capital improvement in the park. Under the terms of this concession contract, 22% of gross receipts goes to capital improvements projects and maintenance. We estimate that, over the next 10 years, this will mean about $38,000,000 of private investment in Yellowstone.
- The concessioner at Glacier National Park is renovating several historic properties including the Many Glacier Hotel and the Lake McDonald Lodge. By 1985, this concessioner will have spent over $2,000,000 on historic property improvements.
- In September 1982, the National Park Service contracted with National Park Concessions, Inc., for the operation of visitor service facilities in five areas of the National Park System -- Big Bend, Isle Royale, Mammouth Cave, Olympic National Park and the Blue Ridge Parkway. The concessioner has committed over $2,300,000 to improving public facilities. In addition, 1 1/2% of gross receipts will be used for upgrading and construction of visitor facilities.
- At Glen Canyon, the concessions contract was recently amended to include concessioner investment of about $7,000,000 for installation of new utility lines and related equipment, upgrading and expansion of food facilities, construction of new lodging units and expansion and improvement of boat storage.

Contracting with concesssioners is only one example of how private sector initiatives are helping our national parks. Another example is the new and innovative property leasing program that will generate private sector revenues for preserving historic properties in the parks.

Consistent with the National Historic Preservation Act, we have launched a program for leasing historic buildings owned by the National Park Service. Over 700 historic structures -- lighthouses, barns, farms, houses, textile mills, for example -- have already been identified and targeted for leasing. Possible new uses for these properties under the leasing program include shops, offices, hotels and many others. At Ellis Island, we are considering a lease for development of a hotel and conference center.

As in contracts with concessioners, our procedures and standards insure that this form of private investment in our historic properties is compatible with the Park Service mission of protecting important natural and cultural resources. In addition, we require all rehabilitation work performed on leased properties to meet our standards for historic preservation. Before approving any lease, we make certain that the new use of a leased building is appropriate for the park area and is not damaging to park resources.

Proceeds from the leases will be used to defray costs of preserving historic properties in the parks. This program allows us to enlist the private sector's help in preserving historic structures that otherwise would receive little or no attention.

Not only does the National Park Service own and operate the Nation's most important historic properties, we also cooperate with States, local governments, and private citizens to help preserve historic properties important to cities and towns throughout the country.

Instead of building a bureaucracy to dole out federal grants, we are using the energy and creativity of the private sector to save and reuse the Nation's heritage. Through our historic preservation tax incentives program, we encourage private owners to rehabilitate historic properties.

This is a highly successful program. During fiscal year 1982, 1800 rehabilitation projects were approved, representing over a billion dollars of private investment. Historic buildings rejuvenated by private sector initiative do not become musty museums, nor do they get taken off State and local tax rolls as public monuments. They are, instead, returned to active and productive economic use. For example, last year's 1800 rehabilitation projects will result in 5,131 new housing units; 2,635 of those will provide housing for low and moderate income people.

Preservation rehabilitation projects by the private sector also create jobs. Let me refer to the Department of Housing and Urban Development's experience with Urban Development Action Grants. New construction creates 14.2 jobs per million dollars expended; rehabilitation creates 24.2 jobs per million. Using this ratio, we can estimate that our preservation tax incentives have produced 27,298 new jobs. And that means 11,280 more jobs than would have been produced by spending a comparable amount on new construction.

My last example of how we are successfully enlisting the private sector in protecting the Nation's natural and cultural resources is a new and exciting idea -- a gifts catalog for the parks. Many parks in the National Park System are now developing a catalog of gifts needed by the parks.

The gifts catalog is a fundraising adaptation of the sales catalog concept. It gives people and organizations an easy way to select and donate a preferred item to a park. In a gifts catalog, a park lists, illustrates, and prices needed items. All sorts of gifts can be solicited in this way including cash, equipment, labor, expertise, and professional services.

The response to the first National Park Service gifts catalog has been extraordinary and you will soon be seeing many more park gifts catalogs.

As the chief steward of our Nation's natural and cultural resources, we at the Department of the Interior are working hard to implement programs that will enhance and protect our parks and historical areas.

At the same time, we are cognizant of the Nation's economic plight and the need to exercise fiscal restraint until the economy recovers fully. In spite of these budgetary restraints, which we fully support, we are continuing our stewardship programs in the national parks by enlisting the private sector in new and creative programs to restore these national treasures. We are tapping into the volunteer spirit of Americans and the vitality of the free enterprise system to restore the beauty and economic solvency of the National Park System.

Sincerely,

SECRETARY

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

January 20, 1983

Honorable Ronald W. Reagan
The President
The White House
Washington, D.C. 20500

Dear Mr. President:

One year ago, on January 21, 1982, David Linowes and I met with you to present a series of recommendations for improving the Federal Government's royalty collection and accounting procedures. As you recall, these recommendations resulted from a study by the blue-ribbon panel, chaired by Mr. Linowes, which I had established in July 1981. I had charged the Linowes Commission with evaluating the serious allegations of revenue loss resulting from inadequate fiscal accounting of America's energy resources. I asked the Commission to advise us on ways to combat fraud and abuse in the accounting system and to recover the hundreds of millions of dollars being lost annually by the Federal Treasury, the States and Indian tribes.

Because of your continued interest in correcting this problem, I have reported orally to you on a regular basis throughout the past year. I am now prepared to give you our final report.

We have implemented all of the Linowes Commission's recommendations. As you read this report, you will share with me pride and satisfaction in this success story.

Before you were elected President, the Nation's offshore leasing and royalty management programs were convoluted, duplicative, and in disarray:

-- We were the only country in the world whose offshore oil production was declining — and it had fallen by 34 percent in the previous 10 years.

-- In 28 years we had leased only 2 percent of our Outer Continental Shelf. Previous policies called for us to continue leasing at only one-tenth of one percent a year, even though two-thirds of all our future oil and gas discoveries are expected to be offshore, and even though arbitrary oil price increases and cutoffs by foreign suppliers had severely disrupted the U.S. economy and threatened our national security.

-- Many of the best oil and gas prospects were never offered for lease, and Government bureaucrats were making all the decisions about what would be offered for lease and when.

The Interior Department's fiscal management practices for energy and mineral revenues were in a similar state of disrepair:

- Interior had only 47 inspectors to keep track of 17,000 onshore leases and 55,000 wells. Inspections and audits were spotty or nonexistent despite the billions of dollars onshore and offshore leases bring annually to State, federal, and Indian treasuries.

- The recordkeeping system was antiquated and highly inaccurate; reports of stolen oil and bypassed meters were commonplace; and estimates of unpaid royalties reached several hundred million dollars per year.

Despite these serious problems, and despite over 20 years of strongly worded concern by the General Accounting Office and numerous Congressional Committees, the Interior Department's royalty accounting program remained mired in red tape and inefficiency.

We met these problems head on and we have made significant progress.

In January 1981, I asked the Western Governors and the Inspector General to help resolve the royalty management problem. A cooperative audit effort was initiated to identify and collect past due royalties. This effort now involves eight States. As they began their audits and investigations, I appointed the blue-ribbon panel, headed by the well-known accountant David Linowes, to prepare an impartial, objective analysis of the royalty collection process and make recommendations for improving it. After 6 months of study, in January 1982, the Linowes Commission issued its final report making some 60 recommendations, all of which we immediately embraced. The results of these efforts, I think I can say without boasting, have been impressive.

- The vast majority of the Linowes Commission's recommendations were implemented within months; the remaining 20 or so required legislative authority before they could be implemented. Legislation providing the needed authority was submitted barely 2 months after the Linowes Commission submitted its report -- almost certainly a record. Legislation was finally approved by Congress on December 21, 1982, and signed by you on January 12, 1983.

- We have now issued new site security regulations, streamlined the process for collecting royalties and making payments to the States and Indian tribes, and begun to implement the new legislative authority that includes clear, tough civil and criminal penalties, new standards for recordkeeping and the authority to stop oil tanker trucks and seek proof of ownership.

- The Department has also "junked" the antiquated royalty bookkeeping system that made it almost impossible for the Federal Government, the lessee, or anyone else to know whether the lessee owed royalties or was owed a credit by the Government. In its place, we are installing a sophisticated royalty accounting system in Denver and will soon install a production accounting system. Together, they will enable us to match production volumes with sale and royalty receipts, so that America's taxpayers can know they are getting fair market value for their leases and resources.

- The number of inspectors has been more than doubled, to over 100, and an ongoing training program has been established. We have conducted some 56,000 inspections in the past 16 months.
- A joint Federal/State audit team, established at my request with cooperation from the State of Wyoming, during the past 15 months has recovered $11.7 million in unpaid royalties, at a cost of only $120,000 - and so far has returned $4.3 million to Wyoming. Audits in other States have also been successful.
- And, as recommended by the Commission, on January 19, 1982, we established the Minerals Management Service, which has full responsibility for managing our energy revenue accounting program and the Outer Continental Shelf oil and gas leasing program. This new MMS, as it is commonly called, is not a new bureaucracy; it was created initially from the Conservation Division of the U.S. Geological Survey and later incorporated additional elements from other parts of the Department. Those elements have now been consolidated under one roof, so that they can operate effectively and efficiently. In a similar way, we have consolidated all the onshore mineral leasing and operations functions in the Bureau of Land Management.

This brings me back to the OCS program. We have moved aggressively to streamline the offshore leasing program so that the free enterprise system will be better able to find and produce the energy we need, the energy we know is out there, the energy we can develop without harming or endangering our scenic, recreational, and environmental resources.

The offshore environmental and safety record is outstanding. There have been only a handful of significant spills in over 28,000 wells drilled off our shores. Although the best known spill, in the Santa Barbara Channel in 1969, did cause serious harm to shore birds and certain other organisms, the damage was temporary. Since then, the Department has developed stringent new laws, regulations, blowout prevention technologies, worker training programs, and oil spill contingency plans that make a serious blowout extremely unlikely today, even under our expanded program. In fact, since 1970, a total of only 791 barrels of oil have been lost due to loss of control at the wellhead, out of over 4 billion barrels produced. With that in mind, let me highlight some of the key features of the new accelerated OCS program.

Most importantly, we will offer the entire OCS — nearly a billion acres — during this 5-year period and will make the best prospects available first. This stands in stark contrast to previous programs, which made only 4 percent of the OCS available in 30 years. However, we will not be leasing all this land — merely considering it for possible leasing. Most of the OCS will not attract bids and will not be leased; some will be withheld from leasing on environmental and other grounds; less will be drilled; and even less will result in discoveries and subsequent development.

Then why change the program? Simply put, because the chief goal of the OCS program, as stated clearly in federal law, is "expedited exploration and development" of the OCS, to make its abundant resources available "as rapidly as possible" for the benefit of the American people, while protecting human, marine, and coastal resources. It can hardly be argued that leasing only 0.1 percent a year is "expedited," in accord with the legislative mandate, or in the best overall interests of this Nation's citizens.

The resource potential of our OCS was dramatically shown by the 1982 discovery of what appears to be a giant oil field (perhaps a billion barrels) in California's Santa Maria Basin. That discovery, incidentally, came less than 18 months after the leases were issued and may prove to be the biggest find since Prudhoe Bay. You may remember the furor I caused in May 1981 when I recommended those Santa Maria Basin tracts be offered for lease. I'd say a billion barrels was worth the hassle.

Overall, offshore exploratory drilling has doubled over the past year. Projected oil resources for the entire OCS are equivalent to 20 years of imports at 1981 rates. Projected natural gas resources are enough to heat 23 million homes for 50 years. The accelerated OCS program could increase direct and indirect OCS employment by several hundred thousand new jobs over the next 5-10 years, while generating $48-80 billion between mid-1982 and mid-1987 in bonuses, rents, and royalties. These are badly needed jobs that bring money into the Federal Treasury, rather than take money out of it. These are revenues we clearly need, revenues that will be managed by our new royalty system.

The accelerated OCS leasing program will provide America with significant new oil and gas resources, which will help fuel our economic recovery and reduce our dependence on insecure and often unfriendly foreign sources. These resources will be producible at today's market prices, will not require government subsidies, will augment the gains we are making through energy conservation and the switch to alternative sources, and will reduce the ability of foreign suppliers to impose further price increases on consumers.

This is why we have expanded and streamlined the OCS leasing program; why we are offering the best prospects first; why we are asking industry to identify the areas it wants to lease, rather than letting government tell industry which tracts it will have to settle for; and, why we have cut the time needed to lease an area from 44 months to 22 months. We have done these things because America needs the energy, the jobs, the revenues, and the security that federally owned oil and gas from the OCS can provide.

And, I want to emphasize again, we have done these things without retreating from our commitments to consult with the affected States and ensure that vital fishing, scenic, recreational and natural values are fully protected during every stage of our new OCS leasing program. We have spent $320 million to date on environmental studies, analyses, and consultations at every stage of the OCS process: before lands are offered for lease, before drilling permits are issued, and before production may begin. This approach will ensure that we continue to be good stewards of our lands and resources, and that we balance the needs for environmental preservation and protection with the needs of our modern industrial society for energy, raw materials, jobs, revenues, and security in an insecure world.

Sincerely,

Jim Watt

James G. Watt
Secretary

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

January 20, 1983

Honorable Ronald W. Reagan
The President
The White House
Washington, D.C. 20500

Dear Mr. President:

You and I have spoken often of the many diverse and sometimes conflicting responsibilities of the Secretary of the Interior. I am the Nation's chief environmentalist, the chief oil and gas driller, the chief wildlife manager, the chief mineral and coal leaser, and the chief lumberjack for certain federal lands -- to name a few of the hats I wear. Law and tradition require me to champion this multitude of often conflicting causes.

No where is the conflict more apparent than in the Bureau of Land Management (BLM), the Interior Department agency that manages more than 340 million acres as multiple use public lands. The BLM has such diverse resource responsibilities as energy leasing, rangeland management, wildlife habitat improvement, wilderness studies, and national natural landmark designation.

I am pleased to report to you some of the significant accomplishments of the BLM during the first two years of the Reagan Administration's stewardship.

One of the most exciting changes has been the merger of the Interior Department's onshore minerals responsibilities into the BLM. In this critical period, our country cannot afford waste, redundancy, or time-consuming delays in the exploration and development of its publicly owned resources. Therefore, we consolidated our onshore minerals leasing functions so that industry will deal with one Interior agency instead of several. The merger was aimed at improved efficiencies and reduced costs.

Related to the merger, we're particularly proud of our success in bringing about the orderly development of our energy and mineral resources, with more stringent environmental safeguards in the leasing process than ever before:

- We have eliminated an inherited backlog of 40,000 oil and gas lease applications and reduced lease issuance procedures to about one-third of the time taken by the previous Administration.
- The Bureau leased more acreage for oil and gas exploration in 1982 than had been leased in the entire 1977-80 period.
- We leased onshore resources in Alaska for the first time in 15 years -- 259 leases covering 2.8 million acres. And, we opened for geophysical exploration more than 100 million acres in Alaska not available since 1966.
- In two years, we leased 1.7 billion tons of coal -- compared to 211 million tons leased in the 1979-80 period.
- All potential geothermal steam areas identified in the past several years have been offered for leasing, thus eliminating another inherited backlog. Public land geothermal energy sources provide one million kilowatt hours of electricity...enough to meet San Francisco's needs.
- BLM has made available on a competitive basis sites for wind energy development in California that could provide power for a city of 180,000 persons. The competitive leasing program generated almost $1 million for the U.S. Treasury.
- We have established operator responsibility for site security. Final rules for minimum site security are targeted for publication in May 1983. Additionally, our onshore minerals group has established a policy of fair, firm and uniform enforcement of all requirements for operating on federal and Indian lands.
- We have finalized pilot cooperative inspection agreements with three States and have initiated efforts to develop similar pilot agreements with three Indian Tribes.

Let me emphasize once again that we have accomplished these initiatives with more stringent environmental protection stipulations at all phases of the leasing process than any previous Administration imposed.

We have success stories to tell in our renewable resource management responsibilities as well:

- New rangeland management policies and practices are increasing the involvement of individual permittees with BLM. We are bringing about greater cooperation and interest in maintenance of improvements, installation of new facilities, and generally better care of the resource.

- Management of wildlife habitat over the past two years has been enhanced through greater cooperation with local wildlife interests and State game and fish agencies. Volunteer efforts have increased in the past two years with wildlife the beneficiary.

- BLM has completed 29 percent of its wilderness studies; 90 percent will be completed by 1984.

- New timber sale policies and procedures are putting people back to work in Western Oregon. Over 30 percent of our recent sales have been short-term. This has accelerated timber harvesting and some improvement in local economies. Public timber sales are now tracking market conditions. Timber operators are also required to pay 5 percent, in advance, on all sale contracts. If three-year contracts are sold fully, 40 percent of the contract price must be paid at the end of the second year...whether timber harvesting has begun or not.

Finally, with regard to our responsibilities to manage the public lands for the benefit of the American public, we have moved aggressively to honor the States' rightful claims to lands they were granted upon entering the Union and to better manage the land assets that belong to the people:

- In the past two years, we revoked or modified withdrawals -- those administrative orders that withdraw the public lands from multiple use -- on over 10.2 million acres. In addition, we have revoked "classifications" that segregated public lands from the operation of various public land laws on 97.2 million acres. These lands are now available for surface entry, mining and mineral leasing.

- We are actively processing applications for 278,000 acres of public lands requested by State and local governments for discounted transfer under the Recreation and Public Purposes Act. This is part of our "Good Neighbor" program.

- In keeping with your directions, our Asset Management program is focused on appropriate exchange with other agencies, boundary adjustments, better management of the public lands and identification of lands that are best sold for private management. We have identified 29,000 acres of public lands that should be offered to the public for sale during the current fiscal year. And, we are working on plans to establish a sales schedule for additional public land tracts that are unneeded or can be better managed by others as part of the Asset Management initiative.

- Our rights-of-way program has undergone major change in the past two years. We have streamlined the regulations to establish a far more efficient process that handles some 4,000 applications each year. We also removed onerous "wheeling" stipulations from our regulations. And, those who apply will now pay their fair share of the costs of processing the applications under a six-tier system that allocates and recovers those costs that should not be carried by the taxpayers as a whole.

- We are meeting the Federal Government's commitments to the States by completing transfers of public lands to the States in order to fulfill their entitlements from Statehood. In January 1981, we owed the States over 600,000 acres. No lands were conveyed in 1980. Since January 1981, we have conveyed over 158,000 acres; by the end of this fiscal year we will convey an additional 212,000 acres. The remaining acreage will be transferred when the States make a final determination as to the lands they need.

During your 1980 campaign and in the early days of your Presidency, you and I identified ourselves as "Sagebrush Rebels." As you know, much of the reason for the Sagebrush Rebellion was the heavy hand of the "old" Bureau of Land Management as the principal landowner in the Western States. As you can see, we now have a "new" Bureau of Land Management -- one committed to bringing the States into full partnership with the Federal Government in making the important resource decisions that impact the lives and livelihoods of the people. As a result, the Sagebrush Rebellion is over, and America has won.

Sincerely,

Jim Watt

SECRETARY

DEPARTMENT of the INTERIOR
news release

OFFICE OF THE SECRETARY

(Please see final page of this release for full list of persons to contact for further details or clarification.)

For Release Noon, EST, January 31, 1983. All material in this release is embargoed until that time.

NATIONAL PARKS, REFUGES, WESTERN WATER, INDIAN SELF-ADVANCEMENT, AND COAL MINE LAND RESTORATION HIGHLIGHT INTERIOR'S FY 1984 BUDGET

A lean and trim Interior Department budget for fiscal year 1984 is tailored to promoting basic priorities while reducing expenditures on less essential activities, Secretary of the Interior James Watt said today.

The 1984 budget proposal provides significant dollar increases for Western water projects and for reclamation of abandoned lands scarred by past coal mining activity. It also provides top priority increases to sustain the Secretary's initiatives to restore and improve national parks and wildlife refuge lands and to improve the economies and self-government of Indian tribes.

The sums requested under the Department's discretionary authority are down by $75 million from fiscal year 1983 levels while the mandatory items required by various laws are up by $487 million. Chief among the latter is a one-time-only "pass-through" increase to Western States for their share of receipts from Federal onshore mineral leasing. Consequently, the overall Interior budget shows an increase from $6.020 billion in fiscal 1983 to a FY 1984 total of $6.432 billion.

Indian reservations and national parks will receive boosts in road construction funds from an outside source, the Highway Trust Fund, under the new Surface Transportation Assistance Act, sponsored and strongly supported by the Administration.

Smaller, but high priority increases also are proposed for understanding toxic waste effects on ground water, research on acid rain, recovery of endangered species, more national park rangers, migratory waterfowl habitat acquisition, and initiation of a development bank for U.S. territories.

In the main, however, fiscal year 1984 will be one of selective belt-tightening for Interior Department agencies, which will allocate their limited funds to continue the Administration's major program thrusts. In addition to park and refuge work and Western water projects, these include:

--Increased incentives for Indian self determination;

--Better public access to vitally needed energy and minerals; and

--A continuing shift toward greater State participation and leadership in natural resource management.

"The continued revival of our national economy will be best served by the lean budget we are submitting as part of President Reagan's national budget plan," Watt said. "If you look at Interior's budget proposals with that in mind, you will see that we are going at it in two ways--first, by holding expenditures down, and second, by emphasizing activities that put people to work and generate healthy economic growth. Environmental quality is good stewardship and therefore is an integral part of the package."

Watt noted that road construction in national parks and on Indian reservations will share equally in $200 million in FY 1984. These sums do not appear in Interior's budget because they will come from the Highway Trust Fund administered by the Department of Transportation. Parks and reservations each will receive $75 million from the same source during FY 1983.

States seeking to reclaim the scars left by abandoned coal mines in years past will get nearly $194 million, a sharp increase of $61.4 million, from the Abandoned Mine Reclamation Fund administered by Interior's Office of Surface Mining. Overall the Fund, financed by a levy on each ton of coal produced since 1977, is scheduled to disburse $219 million in FY 1984 or $57.6 million more than in FY 1983 for reclamation and fund management because of the progress of States in developing their mined land reclamation programs.

The water project construction and loan programs in the 17 contiguous Western States would be boosted 26 percent in FY 1984 above the amounts expected to be available for the current FY 1983. This increase is due largely to the 97th Congress' inability to agree on an Energy and Water Development Appropriations bill for the current (1983) fiscal year. The net result was to hold Bureau of Reclamation project funding at FY 1982 levels in a Continuing Resolution which covers the entire fiscal year ending September 30, 1983.

This Congressional action will cause some delays in awards of contracts for ongoing construction of major projects during the 1983 fiscal year. Affected are projects throughout the West, and notably in Arizona, Utah, California, Washington, Colorado, Oklahoma, Nebraska, and North Dakota. Most of these projects are approaching a point where major additional work is due. Secretary Watt had requested $706 million for fiscal 1983, in contrast with the $585 million now actually available.

The Secretary, honoring an earlier pledge for new project starts, also proposed 10 new starts actions last October--one for Headgate Rock on the Colorado River Indian Reservation in Arizona, and the other nine based on substantial cost-sharing by local sponsors. These projects, too, are in limbo during fiscal 1983. The Administration proposes they be funded in both FY 1983 and FY 1984. Overall, small reclamation project loans are proposed to rise from $25.1 million in FY 1983 to $41.5 million in FY 1984.

Other highlights of Interior's 1984 budget would:

--Continue Watt's National Park Restoration and Improvement Program with $253.3 million (including the $100 million for park road construction and rehabilitation from the Highway Trust Fund). Construction will be done on 36 projects, exclusive of roads, in 29 parks, upgrading water, sewer, electrical and fire safety systems, rehabilitating visitor facilities, and preserving historic structures. The 1984 request would raise the three year total for this effort to $661.6 million.

--Boost national park operations funding by $22.1 million, largely to enhance interpretation, law enforcement and maintenance, and improve resources management. The number of "seasonal" rangers during peak visitor periods will increase.

--Begin a major funding initiative to rehabilitate and restore facilities and improve resource protection and management on the National Wildlife Refuge System with a $16.6 million increase to "Accelerate Refuge Maintenance and Management" (ARMM). Roads, water control structures, and endangered species habitat will be benefited.

--Boost funding for two self-help Indian initiatives started in fiscal 1983 from $2.5 to $5 million in grants to help small tribes develop and maintain basic management capabilities, and from $5 million to $10 million in grants to encourage private sector investment, promote sound business principles, and assist enterprise development on the reservations. Other "self-determination services" to help tribal governments improve their self- governing capabilities, also would be increased, from $50.4 million to $55.2 million.

--Provide an increase of nearly $1 million for 17 high-priority recovery actions involving 40 endangered species, including the black-footed ferret, grizzly bear, manatee, and bald eagle.

--Acquire an additional 16,730 acres of migratory waterfowl habitat based on a proposed increase in Duck Stamp fees from $7.50 to $15, subject to Congressional approval.

--Provide payments to States of nearly $1 billion in receipts from Federal onshore mineral leases, an increase of $439 million over 1983. The increase is due to increased mineral leasing on multiple use lands and to the Federal Oil and Gas Royalty Management Act of 1982, signed by President Reagan January 12, 1983. The legislation accelerates mineral payments, resulting in a large one-time increase during FY 1984. Under law, States where Federal mineral leasing occurs generally receive 50 percent of the revenues back from the government. An overwhelming majority of Federal lands, including those in Alaska, are in the West.

--Continue the Bureau of Land Management's payments in lieu of taxes (PILT) to States at $96 million, the same as in FY 83, but seek to credit these sums against the big increase in onshore mineral lease receipts. A payments program by the U.S. Fish and Wildlife Service would be funded at $5.8 million.

--Bring in $7.9 billion in rentals and bonuses during FY 1984 from lease offerings on the Outer Continental Shelf, including three such sales in Gulf of Mexico waters, two off Alaska, and one each in the North Atlantic and the Pacific Oceans.

--Collect $4 billion during FY 1984 in royalties from oil and gas produced on the Outer Continental Shelf, as well as $1.6 billion in rentals, bonuses, and royalties from onshore mineral leasing activities.

--Collect $1.7 billion in receipts for timber, grazing, recreation and other revenue producing activities, Department-wide.

--Increase the Bureau of Land Management's funding for administration of hard-rock mining laws by $2 million to eliminate a backlog of mineral patent applications and do minerals examinations and analyses.

--Add $711,000 for BLM's onshore oil and gas leasing and supervision for on-the-ground inspections and post-leasing activities, due to the virtual elimination of a large backlog of lease applications. In FY 1984, BLM expects to issue more than 30,000 oil and gas leases and supervise operations on about 50,000 producing leases.

--Redirect an additional $3.5 million to the U.S. Geological Survey's critical and strategic minerals program. Although USGS' budget will undergo cuts overall, higher priority within the total also will be assigned to acid rain and toxic wastes monitoring and research, and to computer-base data systems used in mapping.

--Reduce the Minerals Management Service's budget for royalty management programs by $4.6 million, primarily due to completion of design and development of MMS' new automated systems to collect, account for, and disburse all revenues due the Federal Government and Indian tribes from production of minerals on their lands. Intense efforts to improve royalty management performance already have resulted in collection of nearly $60 million in previously uncollected receipts during 1982, and are expected to provide higher collections in the future.

Simultaneously, Interior is asking for budget cuts in many activities, including some research, planning, and data-handling; continued reduction in the number of Federal fish hatcheries serving low-priority functions; and grants for land acquisition for parks and recreation areas, and for historic preservation.

The Department will be asking for more State, local, and private sector cost sharing of some services it formerly provided at Federal expense. Notable among these is a proposal that States share in the cost of collecting onshore mineral lease money from lessees and developers, since States receive half the total collected, under law.

"Proper stewardship of America's natural resources depends in part on our ability to enlist help and the sharing of costs from non-Federal sources," Watt said. "We are urging States, the university community, and the private sector generally to help shoulder a bigger share of the load."

x x x

PRESS CONTACTS FOR FURTHER INFORMATION REGARDING INTERIOR'S FY 1984 BUDGET

(Area codes need not be used from Washington, D.C., unless indicated below)

AGENCY	NAMES OF CONTACTS	OFFICE PHONE	HOME PHONE
Office of Budget, Department of the Interior	Joe Gorrell	343-5308	548-4867
	Kristine Marcy	343-5415	333-3138
	Austin Burke	343-8077	437-5022
	Waite Waller	343-4211	654-8082
	Stan Doremus	343-4965	356-2535
Minerals Management Service	Ed Essertier	343-3504	323-1215
	Ted Saunders	860-7526	281-4119
National Park Service	Duncan Morrow	343-7394	321-7128
	Jay Sahd	343-4566	455-5678
	George Berklacy	343-6843	250-6503
Bureau of Reclamation	Jess Pepple	343-4268	860-2530
	Paul Hauffe	343-8411	281-3238
	Bill Klostermeyer	343-8081	451-8037
Geological Survey	Donovan Kelly	860-7444	(703) 338-4044
	Bette Goodrich	860-7217	860-1431
Fish and Wildlife Service	Jim Leupold	343-4597	525-1438
	Megan Durham	343-5634	573-8952
Office of Surface Mining	Rodger Cotting	343-4926	(301) 587-3952
	J. P. Crumrine	343-4926	(703) 356-1243
Bureau of Indian Affairs	Tom Stangl	343-6342	437-6148
	Carl Shaw	343-4576	546-6107
Bureau of Land Management	Tim Monroe	343-9435	451-5731
	Roger Hildebeidel	343-3516	354-2683
Bureau of Mines	Bob Swenarton	634-1001	946-3491
	Charles Lanman	634-1005	966-2335
Office of Territorial Affairs	Chuck Downs	343-6971	532-7250
	David Gessner	343-6971	869-1731

DEPARTMENT OF THE INTERIOR

PRESS RELEASE

FY 1984 Budget

TABLE OF CONTENTS

Page No.

Budget Authority and Outlays... 1

Comparison of 1983 and 1984 Budget Authority, Outlays and Receipts..... 2

Bureau of Land Management.. 3

Bureau of Reclamation.. 7

Fish and Wildlife Service.. 11

National Park Service.. 14

Geological Survey.. 17

Minerals Management Service.. 19

Bureau of Mines.. 22

Office of Surface Mining Reclamation and Enforcement................... 24

Bureau of Indian Affairs... 26

Territorial Affairs.. 32

Comparison of Fiscal Year 1983 with Fiscal Year 1984 Budget Authority.. 35

1983 Program Supplementals, Rescission and Deferrals................... 46

Authorizing and Transfer Legislation Required for FY 1984.............. 47

DEPARTMENT OF THE INTERIOR

Budget Authority and Outlays

(In thousands of dollars)

Bureaus/Offices	Budget Authority 1982 Actual	Budget Authority 1983 Estimate a/	Budget Authority 1984 Estimate	Outlays 1982 Actual	Outlays 1983 Estimate	Outlays 1984 Estimate
LAND AND WATER RESOURCES						
Bureau of Land Management	1,240,698	1,118,121	584,877	1,201,886	1,101,191	565,298
Bureau of Reclamation	778,607	808,709	1,002,585	815,708	849,977	1,005,848
Total, Land and Water Resources	2,019,305	1,926,830	1,587,462	2,017,594	1,951,168	1,571,146
FISH AND WILDLIFE AND PARKS						
Fish and Wildlife Service	441,463	468,944	475,954	460,630	496,369	488,324
National Park Service	802,355	857,276	739,185	1,012,500	1,134,972	984,583
Total, Fish and Wildlife and Parks	1,243,818	1,326,220	1,215,139	1,473,130	1,631,341	1,472,907
ENERGY AND MINERALS						
Geological Survey	510,042	393,657	365,956	531,694	445,682	380,184
Minerals Management Service	---	198,495	1,150,952	---	166,021	1,160,037
Bureau of Mines	150,846	145,368	118,383	152,337	169,252	133,663
Office of Surface Mining	173,848	222,192	282,299	118,763	141,112	100,184
Total, Energy and Minerals	834,736	959,712	1,917,590	802,794	922,067	1,854,070
Bureau of Indian Affairs	1,515,939	1,487,827	1,419,605	1,431,552	1,415,916	1,451,388
Territorial & International Affairs	257,600	226,771	209,939	316,688	293,066	237,953
Office of the Solicitor	17,750	19,067	18,647	17,575	18,686	18,487
Office of the Inspector General	13,369	21,900	17,185	10,441	21,730	21,100
Office of the Secretary	45,113	51,601	46,854	52,078	53,619	48,493
TOTAL, DEPARTMENT OF THE INTERIOR	5,947,630	6,019,928	6,432,421	6,121,852	6,307,593	6,675,544

a/ For programmatic comparison FY 1983 excludes $59 million in fire supplementals and $30 million in National Park Service contract authority and includes $42 million for Department of Interior pay supplemental,a proposed $63.6 million rescission for National Park Service road construction, AND $16.5 million in transfers to the USGS.

DEPARTMENT OF THE INTERIOR

COMPARISON OF 1983 and 1984 BUDGET AUTHORITY, OUTLAYS and RECEIPTS

(In millions of dollars)

	1983 a/	1984	Change
BUDGET AUTHORITY			
Total Budget Authority	6,020	6,432	+412
Mandatory Programs	1,393	1,880	+487
Discretionary Programs	4,627	4,552	-75
OUTLAYS			
Total Outlays	6,308	6,676	+368
Mandatory Programs	1,345	1,879	+534
Discretionary Programs	4,963	4,797	-166
RECEIPTS			
Total Receipts	14,381	15,224	+843
Outer Continental Shelf	11,793	11,895	+102
On-shore Mineral Leasing	1,481	1,745	+264
Other Receipts	1,107	1,584	+477

a/ For Programmatic comparison FY 1983 excludes $59 million in fire supplementals and $30 million in National Park Service contract authority and includes $42 million for the Department of Interior pay supplemental, includes a $63.6 million rescission for National Park Service road construction, and $16.5 million in transfers to the Geological Survey.

DEPARTMENT OF THE INTERIOR PROGRAM

for the

BUREAU OF LAND MANAGEMENT

Fiscal Year 1984

The FY 1984 Budget Estimate for the Bureau of Land Management (BLM) is $584.9 million. The Budget Request also includes an FY 1983 pay supplemental in the amount of $5.3 million and an FY 1983 firefighting supplemental in the amount of $45 million.

A major change in the FY 1984 budget is the transfer of responsibility for onshore mineral operations from the Minerals Management Service (MMS) to the BLM. Assigning BLM responsibility for mineral resource evaluations, determinations of fair market value, approval of drilling permits and mining plans, and on-site inspection and supervision of lease operations will improve service to the public for mineral leasing and development actions by providing for a single agency to be responsible for multiple use management of both surface and subsurface resources. The MMS will be responsible for mineral revenue management, including collection and distribution. As a consequence, payment of shared mineral receipts to the States (under a permanent appropriation) will be made by MMS. The transfer of this responsibility to MMS is the primary reason BLM's permanent appropriations for FY 1984 are $543.1 million below FY 1983.

In FY 1983 and FY 1984 changes and improvements will be incorporated that will either increase program efficiency or revenues generated by Bureau actions. For example, procedural and priority changes were made that enabled the Bureau to eliminate the backlog of oil and gas lease applications on public lands by the end of calendar year 1982. The value of timber sold outside western Oregon is expected to increase from $7.4 million in FY 1983 to $8.1 million in FY 1984. Similarly, more uniform procedures for selling fuelwood and restricting free use permits are expected to raise fuelwood receipts from $258,000 in FY 1982 to $626,000 in FY 1983 and to $995,000 in FY 1984.

In FY 1984, the following changes will be made to benefit program efficiency and revenues:

- $6.6 million is requested to automate additional BLM public lands and minerals records, leading to efficiencies in oil and gas case processing and land status information management;

- consistent with the overall policy of encouraging users to pay for services provided, funding for processing energy and nonenergy rights-of-way applications will be reduced by $4.6 million in anticipation of increased reimbursement by applicants; and

- policy and regulations in the planning program will be changed during FY 1983, reducing the costs of preparing land-use plans in FY 1984 to 50 percent of FY 1981 costs.

Increases in BLM's FY 1984 budget include:

- An increase of $19.3 million in onshore energy leasing occurs primarily from the transfer of MMS functions to BLM. However, the following funding changes occur in specific programs in comparison to the ongoing effort:
    - oil and gas leasing management will increase by $711,000 for additional post-leasing activities and on-the-ground inspections;
    - coal leasing requirements are reduced by $6.6 million due, in part, to a change in emphasis from pre-lease data collection to post-lease evaluation procedures and compliance;
    - geothermal leasing is reduced by $850,000 due to accomplishment of streamlining and elimination of leasing backlogs; and
    - oil shale leasing costs are reduced by $2.1 million because initial program efforts necessary to establish a permanent oil shale leasing program have been completed.
- An increase of $2.2 million in non-energy mineral leasing also results primarily from the transfer of MMS programs to BLM. An increase of $100,000 for both BLM and comparable MMS programs will be used to process prospecting permits and lease applications as well as for additional on-the-ground inspections.
- An increase of $8.0 million in nonenergy realty operations in the lower 48 States will be used to provide capability for FLPMA land sales and to implement the automated lands and minerals records system which will provide timely and accurate information on land status and pending applications for lands and minerals uses.
- An increase of $3 million in Service Charges, Deposits, and Forfeitures results from recovering more of the costs associated with the processing of rights-of-way applications and permits.
- An increase of $3.3 million in planning will be used to meet the court-ordered grazing EIS schedule and mandated wilderness schedule, and to review and develop land use plans where appropriate in anticipation of future land sales or other actions to consolidate and manage Federal lands.
- An increase of $2.1 million in mining law administration will enable BLM to eliminate the backlog of mineral patent applications and to perform necessary mineral examinations and other necessary analyses.
- An increase of $622,000 for uranium operations is also the result of the BLM/MMS consolidation.

- An increase of $361,000 in cultural resource management will ensure that responsibilities for compliance with the National Historic Preservation Act of 1966 are fulfilled.

- An $11.0 million increase in general administration includes an additional $7.5 million in fixed costs and $3.5 million in other administrative costs. The increase in administrative funding will provide contracting support in the land sales initiative, the rights-of-way cost recovery effort, and onshore mineral leasing programs; financial and procurement support to ensure compliance with the requirements of the Prompt Payment Act; and timely accomplishment of other increased financial, contracting records, and personnel services requirements. Increases in fixed costs are necessary for space rental, postage and telecommunication services, unemployment compensation, and employee relocation expenses.

- Other increases are included for forest management, data management, mineral material sales, and conveyance of lands to Alaska natives and the State of Alaska.

Reductions in BLM's FY 1984 budget include:

- A reduction of $8.5 million is proposed in the Oregon and California Grant Land appropriation. Congress added funds to this appropriation in FY 1983 to fully fund the Forest Service-administered O&C lands out of this appropriation rather than out of appropriations made directly to the Forest Service. However, in FY 1984 a portion of funds for administration of Forest Service O&C lands will again be requested by the Forest Service from their direct appropriations.

- The range management program will be reduced $7.4 million by categorizing allotments to ensure funds are invested where improvements are most needed and returns to the public are highest, conducting less intensive and more efficient inventories, and assigning maintenance of range improvements to livestock operators where they are the primary beneficiary of such improvements.

- A reduction of $5.0 million in the wilderness program results primarily from the way mineral surveys will be funded. In previous years, the BLM transferred funds to the U.S. Geological Survey and Bureau of Mines to conduct these surveys. Beginning in FY 1984, funds for mineral surveys will be requested directly by these agencies.

- A reduction of $5.4 million in soil, water, and air management will result in conducting fewer inventories. However, the grazing EIS schedule and energy leasing goals will not be affected.

- A reduction of $4.6 million in wildlife habitat management will be achieved by depending upon State governments and wildlife interest groups to share more of the habitat development and maintenance costs. Available funds will be targeted to providing information for high priority issues and initiatives such as threatened and endangered species.

- A reduction of $3.3 million in energy realty reflects a change in funding of rights-of-way processing from appropriated dollars to cost reimbursement in the Service Charges, Deposits, and Forfeitures appropriation. The same number of rights-of-way will be processed, but applicants will have to pay more of the costs for processing their applications, consistent with policies to have users pay for the benefits they receive.

- A reduction of $1.9 million in fire management results from postponing further acquisition of the automated lightning detection and remote weather systems.

- A reduction of $1.2 million in recreation management results from the reduced need to designate Off Road Vehicle areas and a reduction in issuance and monitoring of special recreation use permits. Federal expenditures in areas that are of local interest will also be reduced.

- Range improvements funds, the amount of which is determined by grazing receipts, will be $1.2 million less in FY 1984 as a result of lower grazing fees. The fee is expected to decrease from $1.86 per animal unit month (AUM) to $1.40 per AUM because of low beef prices and high costs of production. The present grazing fee formula was established by Congress in 1978 and currently is the subject of a joint study with the Forest Service. A minimum appropriation of $10,000,000 is authorized by the Public Rangelands Improvement Act of 1978.

- The Bureau plans no construction projects in FY 1984, resulting in a saving of $718,000 compared to FY 1983.

- Other smaller decreases can be achieved through program efficiencies and reductions in the withdrawal processing and review, cadastral survey, technical services, and access and land acquisition activities of the Bureau.

Payments in Lieu of Taxes, (PILT) will continue to be funded at $96 million. In FY 1984, the Budget proposes that PILT payments be deducted from mineral leasing revenue prior to distribution of these receipts.

DEPARTMENT OF THE INTERIOR PROGRAM
for the
BUREAU OF RECLAMATION

Fiscal Year 1984

The President's fiscal year 1984 budget requests approximately $1 billion in new budget authority for the Bureau of Reclamation for planning, development, and operation of projects in the 17 Western States. This fiscal year 1984 budget estimate also proposes a fiscal year 1983 pay supplemental in the amount of $5.5 million and transfers from the Office of the Secretary ($1.9 million) and the Office of Water Policy ($6 million) in fiscal year 1983. The President's FY 1983 budget request of $970.3 million was supplanted by the Continuing Resolution appropriation.

A 1983 budget amendment was submitted by the President to Congress on December 16, 1982, for ten new water resources projects. Included in the fiscal year 1984 budget are second-year funding requests of $14 million in the construction program and $20 million in the loan program for these new projects.

The appropriations request for the new fiscal year beginning October 1, 1983, provides for continuation of construction of projects already underway or beginning in 1983, including new contract awards necessary to keep key projects on schedule.

The request also includes funds for six new plan formulation investigation starts that are considered important in assisting the Western States to meet their water and energy related needs.

CONSTRUCTION PROGRAM: $699 million has been requested for fiscal year 1984 to continue construction on 73 projects, to initiate rehabilitation and betterment work on seven projects, and to continue preconstruction work on one project. The fiscal year 1983 appropriation provides $560 million for similar work. Major construction projects during the 1984 fiscal year include:

- BONNEVILLE UNIT (Utah) - $102 million.

  Program will allow further efforts on Stillwater Tunnel, Jordan Aqueduct, Alpine Aqueduct, and Upper Stillwater Dam.

- CENTRAL ARIZONA PROJECT (Arizona, California, Nevada, New Mexico, Utah) - $166 million.

  Construction will continue on the Granite Reef, Salt-Gila, and Transmission Divisions and the supervisory controls system. Construction will be initiated on the Non-Indian Distribution Systems.

- CENTRAL VALLEY PROJECT (California) - $93 million.

  Auburn-Folsom South Unit. Management of lands, maintenance and services contracts, and work on claims and various studies will continue.

  Sacramento River Division. Construction of the Tehama-Colusa Canal and related distribution systems will be continued.

  San Felipe Division. Construction will continue on the Pacheco Pumping Plant and Santa Clara conduit. Contracts will be awarded on several conduits, Coyote Pumping Plant, and San Justo Dam and Reservoir.

  San Luis Unit. Canal structures will be raised along the San Luis Canal where subsidences have occurred.

  Miscellaneous Project Programs. Rehabilitation of the Delta-Mendota Canal and work on the Friant-Kern Canal and Delta Support Studies will continue.

- CHIEF JOSEPH DAM PROJECT, OROVILLE-TONASKET UNIT (Washington) - $13 million.

  Construction of the Ellisford, Tonasket, and Bonaparte Creek pumping plants will be completed.

- COLORADO RIVER BASIN SALINITY CONTROL PROJECTS (Arizona, California, Colorado, Nevada) - $33 million.

  Construction work will continue on the Yuma-Desalting Plant and related facilities and on the Grand Valley, Paradox Valley, and Las Vegas Wash Units.

- COLUMBIA BASIN PROJECT (Washington) - $56 million.

  As part of the Irrigation Facilities, program work on essential drainage and supplemental construction continues and Block 26 lateral work will be completed. At the Third Powerplant, work on the downstream riverbank stabilization will continue.

- DALLAS CREEK PROJECT (Colorado) - $16 million.

  Construction on Ridgway Dam will continue and work will be initiated for reservoir clearing.

- DOLORES PROJECT (Colorado) - $37 million.

  The McPhee Dam and Dolores Tunnel and Canal construction will be completed. Construction will continue on Great Cut Pumping Plant.

- GARRISON DIVERSION UNIT (North Dakota) - $22 million.

  Work will be completed on the Oakes Pumping Plant and drainage system for the Oakes Test Area. Contracts will be awarded for work on Lonetree Dam and Dikes, and Oakes Test Area Distribution System. Construction of the New Rockford Canal will continue.

- MCGEE CREEK PROJECT (Oklahoma) - $41 million.

  Construction of McGee Creek Dam, pumping plant and aqueduct, and access roads will continue. Acquisition of land and rights will also continue.

- NORTH LOUP DIVISION (Nebraska) - $32 million.

  Construction of Calamus Dam Stages II and III and Mirdan Canal and laterals will continue.

- SAN LUIS VALLEY, CLOSED BASIN DIVISION (Colorado) - $15 million.

  Land acquisition and construction of salvage wells, canals, laterals, and related facilities required for water salvage will continue.

Funds are requested for Rehabilitation and Betterment work, $36 million; Safety of Dams work, $18 million; Drainage and Minor Construction activities, $16 million; and development of Recreation and Fish and Wildlife facilities, $8 million.

LOAN PROGRAM: The fiscal year 1984 budget request is $42 million compared to a fiscal year 1983 appropriation of $25 million. Under the Small Reclamation Projects Act work will continue on 11 projects and under the Distribution System Loans Act, work will continue on three projects. These include continuation of seven new loans requested under the budget amendment for fiscal year 1983 submitted by the President to Congress.

GENERAL INVESTIGATIONS: $32 million is requested for investigation and research activities for fiscal year 1984, the same amount appropriated for fiscal year 1983. Funds will be provided for 42 investigations including six new studies throughout the 17 Western States with emphasis on energy production, municipal and industrial water supplies, and Indian water resource development. The six new studies are as follows:

1. All American Canal Relocation, California
2. Bedias Reservoir Project, Texas
3. Big Sandy Project, Texas

4. Blue Holes Reservoir, Wyoming

5. Central Valley Project, New Melones Conveyance System Study and Land Classification, California

6. San Jacinto River Basin, Texas

Advance Planning work, formerly funded from the Construction Program, was made a part of the General Investigations Program in 1983. This change will considerably shorten the time needed to prepare a project for construction. Three new advance planning studies are proposed for 1984. They are:

1. Lake Andes-Wagner Water Diversion Proposal, South Dakota

2. Lower Gunnison Basin Unit, Colorado River Water Quality Improvement Program, Colorado

3. Marias-Milk Project, Montana

OPERATION AND MAINTENANCE: For fiscal year 1984, $145 million is requested for operation and maintenance activities on 32 projects. The fiscal year 1983 appropriation is $120 million.

OTHER ACTIVITIES: The fiscal year 1984 budget request includes $53 million for General Administrative Expenses, compared to the $40 million appropriated for fiscal year 1983. $1.0 million is requested for the Emergency Fund in 1984 compared to the $2 million appropriated in fiscal year 1983. $2.7 million is requested in Permanent Appropriations for fiscal year 1984, the same as in fiscal year 1983.

DEPARTMENT OF THE INTERIOR PROGRAM
FOR THE
FISH AND WILDLIFE SERVICE

Fiscal Year 1984

The budget authority requested for the Fish and Wildlife Service in FY 1984 is $475.9 million. The 1984 budget estimate also proposes a FY 1983 pay supplemental of $1.5 million. As part of this request, a major funding initiative is proposed to significantly restore and rehabilitate facilities of the National Wildlife Refuge System. This Accelerated Refuge Maintenance and Management Program (ARMM) will improve resource protection as well as enhance public opportunities to understand and appreciate fish and wildlife. The fiscal 1984 request includes $205.7 million for permanent appropriations, $3.7 million for trust funds, and $266.5 million for appropriations requiring Congressional action.

Resource Management

The major increases in the Resource Management appropriation are as follows:

- Accelerate Refuge Maintenance and Management (ARMM) through a $14.6 million increase to improve severely deteriorating facilities and improve resource protection and management on the nation's 413 wildlife refuges.
- Increase funding for Alaska refuge comprehensive planning by eight percent, $510,000, to insure the Service's capability to meet statutory mandates for completion of the planning process.
- Continue support for recovery of important endangered species providing nearly $1 million increase for implementation of 17 high priority recovery actions involving 40 endangered species.
- Increase funding for essential non-discretionary operating costs due to rate escalation for rental of GSA space; federal telecommunications, and postage by $7.2 million.

Significant Decreases:

- Limit Service participation to the most essential activities in support of federal, state, and private coal leasing activities; eliminate operational support of other Departmental on-shore energy and minerals programs; and decrease emphasis in research activities related to evaluation of environmental contaminants. (-$2.2 million).

- Discontinue operations of the cooperative fish and wildlife research units through a reduction of $4.4 million.

- Continue priority federal responsibilities in the production of fish at 45 national fish hatcheries. The priorities for fish production are for maintaining, restoring, and enhancing coastal anadromous, Great Lakes, and inland fishery resources where the Service has responsibilities by statute, agreement, judicial directive, or other mandates. Close or transfer 20 fish hatcheries whose primary purposes of production are not consistent with the federal responsibility (-$3.6 million).

- Close five fish hatcheries directed by Congress during consideration of the FY 1983 appropriation bill, resulting in a decrease of $630 thousand.

- Transfer four fish hatcheries to the Bureau of Indian Affairs in order to accommodate essential fish production requirements on Indian lands. This will result in a reduction to the Service of $913 thousand.

- Postpone lower priority fishery research—biological fish control and drug registration—at the La Crosse laboratory (-$300 thousand).

- Terminate endangered species state grant program, a decrease of $2 million from the level approved for fiscal 1983. Although Congress added these funds to the Service's fiscal 1983 budget request, the Administation believes that states should assume more responsibility in protecting resident endangered species.

Overall, the Resource Management appropriation will provide for:

	($ in thousands)		
Activity	1983	1984	Change
Habitat Resources	38,594	32,037	-6,557
Wildlife Resources	116,048	126,140	+10,092
Fishery Resources	40,181	34,025	-6,156
Endangered Species	20,176	17,361	-2,815
General Administration	28,518	35,748	+7,230
Totals	243,517	245,311	+1,794

Construction

The fiscal 1984 request of $14.4 million for the Service's construction program will continue the Secretary's initiatives to restore and rehabilitate facilities of the National Wildlife Refuge System and provide for major repairs at high priority National Fish Hatcheries. The highest priority projects identified for funding in FY 1984 are those facilities in need of major rehabilitation to eliminate hazardous working conditions, protect government property, and assure employee and visitor safety. Approximately 33 percent and $6 million of the FY 1984 restoration and improvement projects support this concern. As part of the Accelerated Refuge Maintenance and Management program, the budget request includes $2 million for 37 projects in 16 refuges. It provides for rehabilitation of water control structures, reconstruction of roads, and protection of important habitat for endangered species. The fiscal 1984 construction program also provides for increased emphasis on Dam Safety, directing an additional $1.1 million for technical engineering investigations of eight dams and remedial repairs at seven other dams requiring immediate corrective action.

As part of the fiscal 1984 program, approximately $1.9 million will be devoted to the design and implementation of a Capital Development and Maintenance Management and Advanced Planning System.

The fiscal 1984 budget eliminates funding for Anadromous Fish Conservation grants to states and non-federal entities, a decrease of $3.5 million from the level approved for fiscal 1983. Congress added these funds to the Service's fiscal 1983 budget request to assist states to enhance and restore anadromous fish populations through interstate cooperation. Since the purpose of these grants has been accomplished, the Administration believes that further use of federal funds is inappropriate.

Land Acquisition

No funding is requested in fiscal 1984 for land acquisition activities.

Migratory Bird Conservation Account

Estimated receipts of $25.4 million from the sale of Migratory Bird Hunting and Conservation Stamps will allow for the preservation of an additional 16,730 acres for a total acquisition program of 47,030 acres of essential migratory waterfowl habitat in FY 1984. This increased acquisition is based on the sale of 1.6 million duck stamps with an increase in the fee from $7.50 to $15.00.

National Wildlife Refuge Fund

The Service is requesting direct appropriations of $5.8 million in FY 1984 for payments in lieu of taxes. Payments to counties will total $10.6 million. The direct appropriation will be supplemented from prior years net refuge receipts from the sale of timber, grazing privileges, oil, gas, minerals, and fees.

Lower Snake River Compensation Fund

Legislation is proposed along with the FY 1984 budget of $3.7 million to establish an expenditure account into which the Bonneville Power Administration (BPA) would deposit funds to provide for operation and maintenance of the mitigation hatcheries along the Lower Snake River. The Federal Columbia Transmission System Act requires BPA to adjust their rates to fund mitigation activities associated with implementation of the Lower Snake River Compensation Plan. The legislation clarifies the responsibilities of the Departments of Energy and Interior and authorizes the Fish and Wildlife Service to utilize the funds for hatchery operations and maintenance.

DEPARTMENT OF THE INTERIOR PROGRAM
for the
NATIONAL PARK SERVICE

Fiscal Year 1984

The total budget authority requested for the National Park Service in fiscal 1984 is $739.2 million. The requested level provides $153.3 to continue the Park Restoration and Improvement Program. A recent GAO study cited the substantial progress made through the first 2 years of this 5-year initiative in correcting health and safety related deficiencies in park facilities. The fiscal 1984 program will continue this important effort. The 1984 budget includes an increase of $22.1 million for park operations, national register programs and administrative expenses. This increase is offset by reductions of $80.8 million in construction, $87.8 million for land acquisition and State grant assistance, and $26.0 million for Historic Preservation Fund grants to individual States and the National Trust for Historic Preservation. Support for the John F. Kennedy Center for the Performing Arts will increase $0.1 million to cover additional personnel costs. An explanation of the National Park Service's request by appropriation is provided below.

Operation of the National Park System

The fiscal 1984 request for the Operation of the National Park System appropriation is $599.8 million. A portion of the net increase is due to the shift of $9.9 million for National Recreation and Preservation Programs to this account. Previously, these programs were funded from a separate appropriation The balance of the increase, $22.1 million, consists of the following:

— $18.5 million for additional personnel costs relating to approved Federal pay increases in 1983.

— $6.7 million for uncontrollable administrative expenses including unemployment compensation, Federal Telecommunications Services, GSA space rental payments, postage, and other items.

— $4.7 million to upgrade information and interpretive programs and enhance visitor protection activities primarily by increasing the number of seasonal rangers by approximately 350.

— $8.7 million for maintenance to cover the increased cost of equipment, utilities, supplies and materials.

-- $2.8 million for resources management including $0.2 million for acid rain research, $0.7 million for cultural resources management, and $1.7 million for research, monitoring and management programs relating to natural resources.

-- $2.0 million for National Register Programs to enable the Service to meet increased responsibilities resulting from the elimination of Federal support for State Historic Preservation Programs.

These increases are offset by reductions totalling $21.3 million for lower priority programs which the Service proposes to curtail or eliminate in 1984.

Construction

The Service is requesting $78.3 million for construction in fiscal 1984, $80.8 million less than the fiscal 1983 appropriation. The proposed program includes 36 projects in 29 areas which will upgrade water and sewer systems, improve fire protection and electrical systems, rehabilitate National Park Service owned concession facilities, and preserve historic buildings. The amount of the fiscal 1984 request is less than the fiscal 1983 appropriation in part because no road related construction is included in the program. The Surface Transportation Assistance Act of 1982 (P.L. 97-424) authorizes $100 million in fiscal 1984 for National Park Service road rehabilitation and construction to be funded from the Highway Trust Fund. This Act also made $75 million available in fiscal 1983. Congress appropriated $66.6 million to the National Park Service for road projects in fiscal 1983. Since these projects can now be funded from the Highway Trust Fund, the Administration is submitting a fiscal 1983 rescission with the 1984 budget for the road projects appropriated to the National Park Service. The rescission amount will be $63.6 million, allowing $3 million to remain with the Service for unbudgeted emergency fire costs incurred in fiscal 1982.

Taking into account the proposed fiscal 1983 rescission and the funds made available in the Transportation Act, the Service will have $167.5 million available for construction projects in fiscal 1983 and $178.3 million in fiscal 1984, an increase of $10.8 million.

John F. Kennedy Center for the Performing Arts

Budget authority of $4.3 million is requested for maintenance, security and interpretive services at the John F. Kennedy Center for the Performing Arts, an increase of $0.1 million over the 1983 budget. The increase will cover the full year cost of the October 1983 Federal pay increase. The National Park Service currently shares these operating expenses with the Kennedy Center Board of Trustees.

Land Acquisition

The land acquisition program proposed for fiscal 1984 is $54.7 million, $87.8 million less than the amount appropriated for fiscal 1983. The requested amount provides funds to pay court awards relating to land acquisitions in six recently authorized areas, emergency and hardship acquisitions in inholdings, general deficiency awards and relocation expenses, and administrative costs. The total reduction consists of $4.9 million for the acquisition of new park lands, $2.9 million for administrative expenses, and $5.0 million for land acquisition for the Pinelands National Preserve in New Jersey. The budget also eliminates grants-in-aid to States, a savings of $75.0 million from the 1983 appropriation.

Historic Preservation Fund

No budget authority is requested for Historic Preservation Fund grants in fiscal 1984, a decrease of $26.0 million from the fiscal 1983 appropriation. Direct Federal support for historic preservation will be limited to those properties which are part of the National Park System. Matching grants to States and to the National Trust for Historic Preservation will be eliminated. The Administration has taken steps to encourage private sector involvement in the preservation of historic properties through the enhancement of economic and tax incentives.

Fiscal 1983 Request for Supplemental Appropriations and Recissions

A supplemental appropriation request for $9.3 million for fiscal 1983 to cover a portion of the approved 1983 Federal pay increase will be submitted with the fiscal 1984 budget request. Also, a request to rescind $63.6 million from the fiscal 1983 construction account will be submitted. These funds were appropriated for road projects that can now be accomplished from the Highway Trust Fund due to the passage of the Surface Transportation Act of 1982.

DEPARTMENT OF THE INTERIOR PROGRAM
FOR THE
U.S. GEOLOGICAL SURVEY

Fiscal Year 1984

The FY 1984 Budget Estimate for the U.S. Geological Survey (USGS) is $366.0 million. Also proposed is a FY 1983 pay supplemental in the amount of $6.9 million. Within the framework of the FY 1984 budget, the USGS will continue to expand its strategic and critical minerals, acid rain, toxic wastes, and digital cartographic data programs.

The request supports the basic USGS program of earth-science research, natural hazards investigations, energy- and mineral-resource inventory, water resources investigations, and topographic mapping.

A breakdown of the major USGS activities and programs of the FY 1984 budget includes:

o $141.9 million requested for geologic research and investigations.

o $112.1 million requested to continue the national program of water resources investigations.

o $83.9 million requested to support the National Mapping Program.

The balance of the total USGS budget request will be used for executive direction, general administration, and facilities support.

Highlights of the FY 1984 funds requested for the USGS include:

GEOLOGIC RESEARCH: Continued research and investigations of the geologic processes that have formed and continue to modify the country, its coastal areas, and its deep ocean margins will be funded by the $141.9 million requested for FY 1984. Based upon this research and information, the USGS is able to provide accurate, up-to-date assessments of the Nation's mineral, energy, and other resources and to identify potential geologic hazards. The FY 1984 budget provides for:

o The redirection of funds to the strategic and critical minerals program to enhance research targeted at the mineral potential of deeply buried rocks in the Eastern and Midcontinent States and to update the computerized data bank of strategic mineral information.

o A transition from mineral resource surveys of Forest Service wilderness study areas, which will be completed by January 1, 1984, to surveys of those wilderness study areas administered by the Bureau of Land Management.

Proposed funding reductions will impact program activities related to geologic hazards monitoring and related research, energy resource investigations, and land resource surveys.

WATER RESOURCES INVESTIGATIONS: A nearly level budget of $112.1 million is being requested to continue the national program of water resources investigations in FY 1984. This program supports the collection of the largest data base of information in the Nation on the quantity and quality of surface and ground water and assures that the water data needed to develop and manage these water resources are available. Some funds will be redirected to:

o Expand the ongoing Acid Rain Program which studies the effects of acid rain on the lakes, rivers, and ground water.

o Expand the Survey's Toxic Waste Program for developing information and techniques for mitigating ground-water contamination, and technical support to Federal and State officials faced with making decisions about the control of underground disposal of toxic wastes.

o Conduct high priority water-quality studies, including river quality assessments, as part of the Federal-State Cooperative Program.

Funds for these program expansions will be more than offset by reductions in lower priority programs such as coal and oil shale hydrology, and flood hazards analysis.

NATIONAL MAPPING PROGRAM: A total of $83.9 million is being requested to support the National Mapping Program, including $6.0 million to establish a revolving fund to finance the Digital Cartography Program. The USGS is the Nation's principal civilian mapmaking agency and coordinates national mapping requirements throughout the Federal Government. Program activities for FY 1984 emphasize:

o Redirecting funds for the new Federal Mineral Land Information initiative which will provide a computerized data base to answer questions concerning Federal land ownership data and mineral occurrence data.

o Redirecting funds to expand the Digital Cartography Program, which produces and makes available computer-based digital cartographic data from existing map series for use by the USGS and other Federal agencies.

o Retaining receipts from the sale of USGS maps to recover the costs of printing and distribution.

o Maintaining planned output levels of new and revised standard 7.5-minute topographic maps of the United States.

The overall decrease in funding in FY 1984 is related to reductions in programs for special-purpose mapping, remote sensing applications, and the system for airborne profiling of terrain.

BARROW, ALASKA, GASFIELD: The budget request reflects the plan to seek congressional authority to turn over the gasfields located in the Barrow area to a unit of local government prior to beginning of FY 1984.

DEPARTMENT OF THE INTERIOR PROGRAM
FOR THE
MINERALS MANAGEMENT SERVICE

Fiscal Year 1984

The Minerals Management Service (MMS), established as an agency within the Department of the Interior on January 19, 1982, has responsibility for two major programs: Leasing and management of resources on the Outer Continental Shelf (OCS), and the collection and disbursement of mineral royalties due the Federal Government and Indian lessors under contractual agreements.

The agency is one of the largest collectors of revenue for the Federal Government. Its collection activities are expected to yield over $14 billion in FY 1984 receipts for the U. S. Treasury, including bonuses and rentals from the OCS totaling $7.9 billion and OCS royalties of $4.0 billion.

Seven OCS lease sales are proposed in FY 1984 under the Interior Department's accelerated leasing schedule, including three sales in the Gulf of Mexico, two in Alaska, and one each in the North Atlantic and Southern California.

Since its creation, the MMS has carried out an intensive effort to save millions of dollars a year previously lost through mismanagement of oil and gas lease royalties on Federal and Indian lands. These efforts to improve the Department's royalty management activities have resulted in the collection of $58 million in previously uncollected receipts through 1982, and will provide additional revenues in the future.

Payments to States from Federal onshore mineral leasing receipts are expected to increase to almost $1.0 billion in FY 1984. Most of the increase will result from legislation signed by President Reagan in January which accelerates these payments, resulting in a large one-time increase of $312.7 million during fiscal 1984.

In the past, the costs of collecting these receipts, 50 percent of which are generally shared with the States, have been totally borne by the Federal Government. In FY 1984 the Department proposes to deduct the costs of royalty management from these receipts prior to their distribution between the States and the Treasury. It is also proposed that payments in lieu of taxes be deducted in similar fashion.

The FY 1984 budget estimate for the MMS is $1,150.9 million. This includes a permanent appropriation of $995.4 million for payments to States from mineral leasing receipts and $155.5 million for MMS operating programs in FY 1984.

Major activities and programs for MMS in FY 1984 include:

— $108.1 million requested for the management of exploration and production operations for oil and gas and other minerals on the OCS.

— $26.4 million requested to administer the collection of bonuses, rentals and royalties due the Federal Government for minerals produced from Federal onshore, Indian and OCS lands.

— $995.4 million for payments to States from mineral leasing receipts.

The balance of the total MMS FY 1984 request will go for executive direction and administrative support activities.

Highlights of the FY 1984 MMS funding request include:

Federal Onshore Minerals Programs: Responsibility for most Onshore Minerals Management activities were transferred to the BLM by a secretarial order on December 3, 1982. Under the same order, accounting for and distribution of all remaining onshore mineral leasing, bonuses, rentals and royalty responsibilities were transferred from BLM to MMS. The net effect of this order was to consolidate all onshore minerals leasing and technical operations functions in the BLM, and to consolidate accounting for all minerals revenue functions within the MMS Royalty Management Program.

Outer Continental Shelf Lands: As a result of a reorganization in May 1982, the OCS program now includes all management functions for offshore minerals activities. These include permitting and pre-lease studies and analyses prior to lease issuance, followed by supervision of leasehold exploration and production.

The requested FY 1984 budget to carry out these programs and implement the accelerated five-year OCS leasing program is $108.1 million, a reduction of $11.5 million from the FY 1983 estimate. Program operations are reduced by $3.1 million, while internal changes were made to establish funding for MMS bureau level administrative and management activities.

Royalty Management: The budget for Royalty Management Programs is proposed to be reduced by $4.6 million, primarily due to the completion of design and development of the automated Auditing and Financial System. The Royalty Management Program collects, accounts for and disburses all revenues due the Federal Government and Indian tribes from production of minerals on Federal, Indian and OCS lands.

Payments to States: Responsibility for payments to States from Federal onshore mineral leasing receipts will be transferred to MMS from BLM in FY 1984. These payments are estimated to increase by a net amount of $438.9 million over FY 1983, primarily as a result of the following factors:

— The Federal Oil and Gas Royalty Management Act of 1982 (PL 97-451), signed by President Reagan on January 12, 1983, requires that, effective October 1, 1983, payments under the Mineral Leasing Act be made monthly rather than semi-annually as before. This will result in a large one-time increase of

$312.7 million in these payments in FY 1984, when payments covering 17 months of receipts will be made.

— Both production and prices of Federal onshore minerals are expected to increase between 1983 and 1984.

— Improved royalty management procedures will be in place, resulting in increased collections.

— These increases will be partially offset by the Department's proposal to deduct the costs of royalty management activities and payments in lieu of taxes from these receipts before they are distributed between the States and the Treasury.

DEPARTMENT OF THE INTERIOR PROGRAM
for the
BUREAU OF MINES
Fiscal Year 1984

The FY 1984 Budget Estimate for the Bureau of Mines is $118.4 million. The 1984 total includes $117.6 million for Mines and Minerals, including a $1.7 million transfer from the Bureau of Land Management (BLM) for wilderness assessment work, and $0.8 million for trust funds. The FY 1984 Budget Estimate also proposes an FY 1983 pay supplemental in the amount of $1.5 million, and a transfer of $0.1 million to the Office of Surface Mining (OSM) for mine fire control.

The 1984 Budget for the Bureau of Mines provides resources to support implementation of essential elements of the President's National Materials and Minerals Program Plan of April 5, 1982. Continued funding of $18.0 million for Mineral Data Analysis has especially high priority in order to analyze problems affecting the Nation's mineral supplies, to develop and analyze policy alternatives for addressing these problems, and to conduct mandated mineral assessments on lands that might be recommended for wilderness designation so that decisions concerning the use of those lands are made in light of the best information available on their strategic, critical, and other mineral values. Also supporting the President's plan is $30.4 million for Minerals and Materials Research aimed at helping to ensure an adequate domestic supply of minerals — including resources specifically targeted at the conservation and recovery of strategic and critical minerals.

The 1984 Budget proposes no new funding for the Mineral Institutes because private sector and other public support should be available to help them meet their program objectives. This results in a reduction of $9.6 million. Another $5.0 million reduction results from the decision not to seek further funding for the coal mining productivity research transferred from the Department of Energy to the Bureau and included in the Bureau's appropriation in fiscal year 1983.

Health and Safety Technology

The budget proposes $31.7 million for Health and Safety Technology to continue research on a broad range of fundamental safety and health problems in coal, metal, and nonmetal mines. This area of research is directed toward providing technology that will reduce the incidence of mine accidents and occupational illnesses among miners.

Conservation and Development

The fiscal year 1984 request of $5.8 million for Conservation and Development will allow continued research on improving metal and nonmetal mining technology and conserving environmental resources while improving mining and mineral processing activities.

Minerals and Materials Research

The budget proposes $30.4 million for Minerals and Materials Research to continue research directed toward helping to ensure an adequate domestic supply of minerals. Special emphasis will continue to be placed on the recovery and conservation of strategic and critical minerals.

Minerals Information

The budget request of $10.9 million for Minerals Information provides for the continued collection and dissemination of data on production, consumption, and foreign trade for about 100 mineral commodities worldwide. This information is urgently needed to support public and private decision-making concerning mineral supplies, particularly supplies of strategic and critical minerals, to support private sector investment decisions needed to revitalize the domestic minerals industry and stimulate economic recovery, and to support the development of public policy affecting minerals. The fiscal year 1984 request is an increase of $0.3 million resulting from higher costs associated with the October 1982 Federal employee pay raise, and projected higher costs for space rental.

Mineral Data Analysis

The budget proposes $18.0 million for Mineral Data Analysis to analyze problems affecting the Nation's mineral supplies, to develop and analyze policy alternatives for addressing those problems, and to continue to assess the mineral potential of Federal lands. The request includes $1.7 million to conduct mineral assessments on lands managed by the BLM. These assessments were formerly funded by BLM via reimbursements to the Bureau of Mines and are required under the Federal Land Policy and Management Act of 1976 as part of an effort to gain more complete knowledge of mineral resources that may be available on Federal lands prior to recommendations for land classification.

General Administration

The budget proposes $20.8 million for General Administration to provide executive direction and management services for Bureau programs. This reflects a reduction of $0.2 million achieved by reducing lower priority services.

DEPARTMENT OF THE INTERIOR PROGRAM FOR THE OFFICE OF SURFACE MINING

Fiscal Year 1984

The FY 1984 Budget Estimate for the Office of Surface Mining (OSM) is $282.3 million. The FY 1984 Budget Request also includes an FY 1983 pay supplemental in the amount of $522,000 and a transfer of $105,000 from the Bureau of Mines for mine fire control work.

In FY 1984, the Office of Surface Mining is committed to providing the necessary resources and incentives for States to maintain and improve their regulatory and reclamation programs and thereby reduce direct Federal program operations. To this end, OSM's proposed budget authority of $282.3 million includes $231.5 million for grants to States for both their regulatory and reclamation programs, an increase of $66.8 million over FY 1983. Requirements for Federal program activities are decreased by $6.7 million to $50.8 million.

The OSM reorganization that was completed in Fiscal Year 1982 has reduced Federal program expenses while increasing the agency's ability to respond to State needs. OSM's Field and Area Offices work closely with the States to provide program assistance, permanent program oversight and grant administration. Its Technical Service Centers are a locus for expertise in the wide range of disciplines associated with mining regulation and reclamation. The Washington Headquarters provides policy direction and program assistance. This results in an organizational structure that responds promptly and capably to operational concerns and effectively supports the Secretary's coal leasing schedule and the Federal Coal Management Program.

SURFACE MINING REGULATORY PRORAMS: The Office of Surface Mining is requesting a total of $63.5 million for State and Federal regulatory programs, a net increase of $2.5 milion from FY 1983.

The regulatory program encompasses 10,871 active mining units which together are responsible for production of over 800 million tons of coal a year. The FY 1984 budget request includes $37.6 million for regulatory program grants to the States, an increase of $5.5 million. In FY 1984, twenty-five States will have regulatory primacy, one more than in FY 1983. Federal regulatory program operations and inspection activities are budgeted at $10.7 million, an increase of $63,000 over Fiscal Year 1983. Technical support is budgeted at $9.3 million in Fiscal Year 1984, a decrease of $1.8 million from Fiscal Year 1983. This change primarily reflects reduced needs for processing mine plans involving Federal lands. A decrease of $1.1 million in one-time reorganization expenses is projected in the General Administration activity for regulatory programs. This activity is budgeted at $5.9 million in Fiscal Year 1984.

ABANDONED MINE RECLAMATION PROGRAMS: The FY 1984 budget request is $218.8 million to reclaim abandoned mine lands, a net increase of $57.6 million.

The budget includes $193.9 million which is earmarked for non-matching reclamation programs grants to twenty-three States, an increase of $61.4 million. This increase recognizes the growing capabilities of the State to carry out needed reclamation projects and implements the Secretary's policy to have States assume the lead role in the reclamation program. The grant request includes $133.1 million derived from the fifty percent share of reclamation fee revenues set aside for use in the States where the revenue is collected, and approximately $60.8 million from the remaining fifty percent share of fund revenue which may be distributed for State or Federal reclamation programs at the Secretary's discretion.

A budget request of $20.8 million is sought for Federal reclamation programs and supporting activities, a decrease of $3.9 million. The Federal fee compliance and fund management program is budgeted at $6.0 million an increase of $1.1 million for program expenses previously funded by unobligated balances.

The Interior Reclamation Project Program, which is geared to address projects of imminent danger to life and property, will be reduced by $4.5 million to $11.7 million. The Federal program reduction is consistent with the policy that the States will assume the major role in abandoned mine reclamation. The Soil Conservation Service's Rural Abandoned Mine Program for assistance to affected land owners is budgeted at $3.1 million to continue administering cooperative projects initiated in prior years, a decrease of $568,000.

General Administration for the Abandoned Mine Land Reclamation Program is budgeted at $4.1 million, an increase of $139,000.

Abandoned Mine Reclamation Fund revenues in Fiscal Years 1983 and 1984 are estimated at $227.6 and $230.8 million, respectively.

In FY 1984, OSM will use $.4 million of foreign currency to conduct research on the effects that surface mining has on soil and water in India so that research results may be applied to arid areas of the United States.

DEPARTMENT OF THE INTERIOR
FOR THE
BUREAU OF INDIAN AFFAIRS

Fiscal Year 1984

The proposed budget for the Bureau of Indian Affairs for fiscal year 1984 totals $1,419,605,000 in Budget Authority. This amount is made up of $901,390,000 in Federal appropriations and $518,215,000 in permanent and trust funds. This budget is designed to reflect the Bureau's emphasis on three major areas of responsibility. They are: (a) to recognize and preserve the rights of tribal self-government and strengthen tribal capacity to govern, and provide resources for tribal government programs; (b) to fulfill and execute the Federal Government's trust responsibility to American Indian tribes; and (c) to emphasize management improvement activities that will strengthen BIA's ability to serve Indian people. The budget request includes $249.1 million for Indian education; $120.7 million for social services and housing; $34.5 million for law enforcement; $23.5 million for tribal government services; $4.0 million for Navajo-Hopi Settlement Program; $60.2 million for Indian self-determination services to aid tribal organizations under the provisions of Public Law 93-638, the Indian Self-Determination and Education Assistance Act; $65.5 million for economic development and employment programs; and $89.3 million for natural resources development. Protection of Indian trust resources, tribal rights, real estate and financial trust services are proposed at $44.0 million; general administration at $61.8 million; facilities management at $88.9 million; Construction at $55.9 million; and Road Construction at $4.0 million, with additional funds to be made available for road construction projects from the Highway Trust Fund contract authority allocated under the Federal Lands Highway Program by the Department of Transportation (FY 1984 = $100.0 million).

Indian Education

In FY 1984, $249.1 million is requested for Indian education under the Operation of Indian Programs appropriation. This consists of $175.0 million for school operations; $26.0 million for Johnson O'Malley programs for students in public schools; and $48.1 million in continuing education, including scholarship grants ($27.7), adult education ($3.7), tribally controlled community colleges ($10.3), and post-secondary schools ($6.4).

The Bureau of Indian Affairs provides funds for a Federally supported school system presently comprised of 183 schools and 15 dormitories for Indian students. The decrease in number of students served (from 42,321 in 1983 to 41,540 in 1984) is due to the proposed transfer of 10 Bureau day schools to the State of Alaska, the closure of Mt. Edgecumbe boarding school in Alaska, the proposed closure based on tentative decisions of three off-reservation boarding schools at the end of the 1982-83 school year, and declining enrollment. The Alaska day school transfers will be negotiated with the State and are consistent with the State's Constitution to establish a single school system in Alaska. The majority of the schools in the Bureau's system are operated by the Bureau; however, an increasing number are controlled, operated and managed by Indian groups under contractual arrangements with the Bureau. When necessary, residential programs are provided in conjunction with Federal, tribal, or public instructional programs.

Also included in the Bureau's program are two postsecondary institutions serving approximately 1,097 students. A third postsecondary school, the Southwestern Indian Polytechnic Institute, is tentatively proposed to be funded in FY 1984 by the adult vocational training program pending the receipt of a task force report expected to be available by March 31, 1983, as requested by the House Subcommittee on Appropriations.

The $26.0 million for the Johnson O'Malley program will provide services to 170,000 students in 26 states. Nearly 800 local Indian education parent committees help to determine program needs.

During FY 1984, college scholarship grants will be provided, at both the undergraduate and graduate levels, to approximately 20,000 Indian students (17,895 full-time student equivalents). The Bureau's program is designed to help these students with their otherwise unmet financial needs. The Bureau also provides financial assistance to 18 tribally controlled community colleges serving a total of 3,789 students. The adult education program of the Bureau serves 11,763 Indians.

Indian Services

A proposed FY 1984 program of $98.6 million in social services programs includes requirements related to the Child Welfare Act ($7.7 million). The program includes an estimate of $73.0 million for welfare grants, including both general assistance and payments for the care of dependent, neglected, handicapped or delinquent children.

The $22.1 million housing program for FY 1984 will continue the long-range objective of the Bureau to eliminate substandard housing on Indian reservations. Through the housing improvement program approximately 640 new homes will be built and 3,635 homes will be renovated and/or enlarged.

The $60.2 million FY 1984 self-determination services program includes $34.8 million to cover tribal overhead costs associated with P.L. 93-638 contracts, $19.3 million for grants to tribal governments, and $5.0 million for grants to small tribes to acquire and maintain needed core-management capability.

Tribal governments will also benefit in FY 1984 from funding for government functions such as law enforcement, courts and general government operations. The budget includes $34.5 million for law enforcement and $23.5 million for tribal government services including tribal courts.

The FY 1984 Navajo-Hopi settlement program of $4.0 million continues the the range restoration and stock reduction programs as authorized by P.L. 93-531 and as stipulated by Orders of the Federal District Court for the State of Arizona. The program will place increased emphasis on programs to maintain the restored grazing capacity of the former Joint Use area.

Economic Development and Employment Programs

The FY 1984 request of $65.5 million for economic development and employment programs includes approximately $27.6 million for direct employment and vocational training. Also included is $10.0 million for a continuing economic development initiative which provides grants to Indian tribes for the purposes of 1) initiating business development of natural resources; 2) encouraging private sector investment; and 3) promoting sound business principles.

Credit and financing technical staff resources which operate the Bureau's various loan programs are funded at $4.6 million. Direct loans from the revolving loan fund are projected at $13.1 million for FY 1984. These loans will be financed from available fund balances. Guaranteed and insured loans amounting to $19.0 million will be made in FY 1984 from available fund balances.

The request also includes $22.4 million for road maintenance on Indian reservations. Operation of the Indian Arts and Craft Board is funded at $0.9 million.

Natural Resources Development

The request of $89.3 million for natural resources development in FY 1984 supports programs in energy and minerals, forestry, agriculture, range, irrigation and power project operation and maintenance, water resources, wildlife, parks and fisheries management, and other multi-disciplinary natural resource efforts.

Forestry includes wildfire suppression on forest and range lands. Funds are provided for the operation and maintenance of Indian irrigation systems to insure the continued delivery of water to meet contractual and legal obligations and to prevent deterioration of the irrigation systems.

Trust Responsibilities

Strengthening of the trust responsibility role continues to be a prime goal of the Bureau. The FY 1984 request of $44.0 million is for programs to carry out the Federal trust responsibilities including real estate and financial trust services, rights protection, and environmental quality services. Of this amount, $1.4 million is requested to provide funds for the continued implementation of the Alaska National Interest Lands Conservation Act.

This budget request will continue litigation efforts, real estate services and appraisals, boundary surveys, land records improvement, lease compliance efforts, cultural resources activities (archeological clearances), and will also provide $1.0 million for research and follow up work on claims filed under the Indian Claims Limitation Act of 1982.

Facilities Management

In FY 1984, $88.9 million is requested for facilities management. The program includes rental cost for facilities, operation and maintenance of all facilities (including those used for Indian contracted programs), and facilities operation and maintenance staff at all levels of the Bureau.

General Administration

In FY 1984, $61.8 million is requested for general administration which includes executive direction, EEO, and administrative services for all levels of the Bureau; ADP services; safety management; reimbursements to the Department of Labor for employee compensation and unemployment compensation payments to former Bureau employees; and program management at the central office level for the construction, road construction and education programs.

Construction (Buildings & Utilities)

The FY 1984 Budget request for construction of buildings and utilities is $50.6 million, which includes $14.6 million for construction of the Hopi Junior/Senior High School in the State of Arizona.

The program also includes $36.0 million for facilities improvement and repairs. Funding requested will be used to correct unsafe conditions, to improve waste disposal facilities, initiate high priority energy conservation projects, to correct functional deficiencies in existing Bureau facilities, and for preparation of plans, engineering supervision and surveys.

Irrigation Construction

The proposed FY 1984 irrigation construction program will provide a total of $5.3 million. This amount includes $1.0 million for the Fallon Project in Nevada. Funding is being requested in the amount of $1.2 million for continuation of a major effort for assuring dam safety which was initiated in FY 1982. The request also includes $2.1 million for supervision and engineering for irrigation construction and rehabilitation work on Indian irrigation projects and $1.0 million for surveys and design for repairs and rehabilitation of existing irrigation projects.

Road Construction

New FY 1984 budget authority of $4.0 million is proposed to provide management and technical services at area and agency offices for the Bureau to continue the development of a transportation network upon which economic, and social advancement may be achieved. Construction project costs will be met with funds provided through contract authority allocated from the Highway Trust Fund as part of the Federal Lands Highway Program of the Department of Transportation. A total of $100.0 million in contract authority will be available in FY 1984.

Fire Suppression and Federal Employee Pay Cost Supplementals

The President's FY 1984 budget includes a FY 1983 supplemental of $14.0 million for fire suppression. These funds will be used for anticipated wildfire suppression, emergency prevention and rehabilitation efforts in FY 1983 on Indian forest and rangeland.

Also included in the FY 1984 budget is a request for $7.5 million to cover a portion of the cost of the Federal employee pay raise which became effective October 1, 1982.

DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

Fiscal Year 1984 Summary of Projects

Buildings and Utilities Construction Program

		FY 1984 Estimate
Arizona		
Hopi Jr./Sr. High School	$14,550,000	
Total, New Construction		$14,550,000
Bureau-wide		
Facilities Improvement and Repair		$36,000,000
TOTAL		$50,550,000

Irrigation and Power Construction and Rehabilitation

Nevada		
Fallon - Nevada Total	$1,000,000	
Total Construction		$1,000,000
Surveys and Design		1,000,000
Engineering and Supervision		2,125,000
Dam Safety Program		1,200,000
Total Program		$5,325,000

BUREAU OF INDIAN AFFAIRS
F.Y. 1984 BUDGET REQUEST
(IN THOUSAND DOLLARS)

	FY 1983 Approp. to date	FY 1983 2/ Budget Estimate	FY 1984 Budget Estimate
School Operations	177,075	179,556	174,947
Johnson O'Malley Education Assistance	35,579 1/	35,579 1/	26,000
Continuing Education	51,451	51,658	48,121
EDUCATION	264,105	266,793	249,068
Tribal Government Services	25,473	25,609	23,534
Social Services	100,002	100,187	98,609
Law Enforcement	35,697	35,972	34,521
Housing	23,233	23,298	22,068
Self-Determination Services	52,822	52,876	60,198
Navajo-Hopi Settlement Program	3,899	3,923	3,951
INDIAN SERVICES	241,126	241,865	242,881
Employment Development	27,429	27,554	27,641
Business Enterprise Development	10,854	10,966	15,543
Road Maintenance	21,037	21,301	22,351
ECONOMIC DEVELOPMENT AND EMPLOYMENT PROGRAMS	59,320	59,821	65,535
Forestry and Agriculture	69,360	70,236	73,402
Minerals, Mining, Irrigation and Power	14,981	15,005	15,881
NATURAL RESOURCES DEVELOPMENT	84,341	85,241	89,283
Indian Rights Protection	17,634	17,723	16,323
Real Estate and Financial Trust Services	28,405	28,877	27,732
TRUST RESPONSIBILITIES	46,039	46,600	44,055
FACILITIES MANAGEMENT	88,900	89,872	88,910
Management and Administration	47,854	48,826	49,434
Employee Compensation Payments	4,582	4,582	6,829
Program Management	7,241	7,377	5,520
GENERAL ADMINISTRATION	59,677	60,785	61,783
1983 PROPOSED SUPPLEMENTALS			
Fire Suppression		14,000	-0-
Federal Employee Pay Cost (distrib. in column 2)		(7,469)	-0-
OPERATION OF INDIAN PROGRAMS (Total)	843,508	864,977	841,515
Irrigation Systems	18,900	18,900	5,325
Building and Utilities	48,350	48,350	50,550
Land Acquisition	-0-	-0-	-0-
CONSTRUCTION (Total)	67,250	67,250	55,875
ROAD CONSTRUCTION (Total)	43,585 3/	43,585 3/	4,000 3/
TOTAL, FEDERAL APPROPRIATIONS	954,343	975,812	901,390

1/ Includes $9,350 for Alaska school transfers, to remain available until expended.
2/ Program amounts include actual appropriations and pending supplemental requests.
3/ Does not include construction project funds which will be provided through contract authority from the Highway Trust Fund as part of the Federal Lands Highway Program of the Department of Transportation (1983=$75.0 million; 1984=$100.0 million).

DEPARTMENT OF THE INTERIOR PROGRAM

for

TERRITORIAL AND INTERNATIONAL AFFAIRS

Fiscal Year 1984

The fiscal year 1984 Budget Estimate for Territorial and International Affairs is $209,939,000. The Budget Estimate also includes a proposed fiscal year 1983 pay supplemental of $69,000. The Budget Estimate provides funding for the Trust Territory of the Pacific Islands, the Northern Mariana Islands, American Samoa, Guam, and the Virgin Islands. Also included is direct funding for the Office of Territorial and International Affairs in Washington, D.C., and technical assistance activities in all areas under the auspices of that office.

The Budget Estimate also presents a new concept in funding of capital development projects in the territories. $2 million is included to initiate the operations of an insular development bank, an institution that will, if approved by the Congress, provide loan capital through both Federal and private sources, for projects in the territories, replacing the ad-hoc grant process that has existed for the past several years. As a professional institution under the direction of a board of territorial and Federal representatives, the bank will be able to identify successful economic development projects and assist in carrying out those projects. In order not to create a hiatus in fund availabiligy for territorial capital improvements, a small construction program is included in this budget. This construction program will provide funds for Guam, American Samoa, the Northern Mariana Islands, and the Virgin Islands. All projects proposed for funding in the fiscal year 1984 Budget are of such urgency that they cannot wait until the development bank becomes operational; they are, however, projects that we believe would probably be approved by the bank. With the appropriation of $2 million for start-up costs, it is anticipated that the bank will be able to make the first loans by the end of fiscal year 1984.

Continued operations support for American Samoa and funding for the Northern Mairana Islands are included at $18.9 million and $25.7 million, respectively. A total of $59.8 million in estimated fiscal assistance payments to Guam and the Virgin Islands is also included in this Budget.

In the Trust Territory of the Pacific Islands, $19.4 million is proposed for construction. This amount will continue to fund the infrastructure development throughout Micronesia and assist the new governments in the establishment of capitol facilities. Other funding is sought to continue the ongoing operations of the Trust Territory.

$4,038,000 requested for Guam

$4,038,000 is planned to be used to improve water and sewer systems along a major artery in the central hotel area on Guam. This will allow the hotel industry to expand in order to accomodate an increasing tourist trade, while protecting the natural beauty of Tumon Bay and insuring environmental and health safety.

$20,900,000 requested for American Samoa

$18,900,000 has been included for the operation of the local government and $2,000,000 for upgrade of the existing power plants. This upgrade will provide for continuing operation of the power system while a long-term solution to American Samoa's generating needs is developed.

$30,742,000 for the Northern Mariana Islands

$25,742,000 has been estimated for Covenant grants to the Northern Mariana Islands as mandated by law (Public Law 94-241), and $5,000,000 for continued construction of a new hospital on Saipan. The Covenant grants will provide funding for government operations, capital improvements, and economic development.

$1,500,000 for the Virgin Islands

$1,500,000 is planned to be used for construction of a second juvenile justice facility. This facility will be used as a holding center for juvenile offenders and is a response to a serious crime problem in the Virgin Islands.

$2,970,000 for Territorial Administration

$2,070,000 is included for the administration of territorial programs and $900,000 for technical assistance in the areas of financial management, economic and capital development.

$2,000,000 for Insular Development Bank

$2,000,000 is to be used for organization costs and start-up of an insular development bank. This institution will provide an alternative funding mechanism for capital development in the insular areas.

$59,800,000 for Fiscal Assistance

$59,800,000 is included as the estimate of the return to Guam and the Virgin Islands of certain revenues collected by the Internal Revenue Service, as provided for in Public Law 95-348.

$87,989,000 requested for the Trust Territory

The United States, through the Department of the Interior, administers the Trust Territory of the Pacific Islands under a Trusteeship Agreement with the Security Council of the United Nations. As Administering Authority, the United States is obligated to promote the political, economic, and educational development of the Micronesian people. The Trust Territory covers a water area of 3 million square miles with a land area of 516 square miles in some 2,000 islands. The population (excluding the Northern Marianas) is approximately 120,000.

The FY 1984 operations budget estimate proposed for the Trust Territory headquarters and the three emerging governments of Palau, the Federated States of Micronesia, and the Marshall Islands, totals $67,819,000. This amount includes the following:

Federated States of Micronesia	$36,900,000
Marshall Islands Government	10,900,000
Republic of Palau	10,100,000
Trust Territory Headquarters	4,419,000
Operation and Maintenance	3,000,000
Satellite Communications	1,000,000
College of Micronesia	1,500,000
	$67,819,000

Other funding for the Trust Territory includes $10,900,000, the second increment of the United States' contribution, for the purpose of establishing new capitol facilities in each of the three emerging areas. The initial increment was provided in FY 1982 and was for architectural design work. The Budget Estimate also includes $8,470,000 to continue the development of a basic infrastructure in Micronesia and $800,000 for special supplementary feeding and other support programs for the people of Enewetak.

DEPARTMENT OF THE INTERIOR

Comparison of Fiscal Year 1983 with Fiscal Year 1984 Budget Authority

(In thousands of dollars)

Bureau or Office and Appropriation Title	FY 1983 Appropriation	Net Transfers and requested Supplementals	FY 1983 Amount Requested	FY 1984 Estimate	Increase (+) or Decrease (-) FY 1984 compared with FY 1983
LAND AND WATER RESOURCES					
Bureau of Land Management					
Management of Lands and Resources	330,226	4,595 1/ 45,000 2/	379,821	352,563	-27,258
Construction and Access	2,243	---	2,243	1,200	-1,043
Land Acquisition	311	---	311	130	-181
Payments in Lieu of Taxes	96,320	---	96,320	96,320	---
Oregon and California Grant Lands	56,963	657 1/	57,620	49,136	-8,484
Range Improvements	11,199	---	11,199	10,000	-1,199
Service Charges, Deposits, and Forfeitures	10,000	---	10,000	13,000	+3,000
SUBTOTAL	507,262	50,252	557,514	522,349	-35,165
Permanents & Trust Funds	605,607	---	605,607	62,528 3/	-543,079
Budget Authority, Total	1,112,869	50,252	1,163,121	584,877	-578,244
Outlays, Total	1,096,162	50,029	1,146,191	565,298	-580,893

1/ Reflects payraise and medicare tax supplemental.
2/ Emergency fire fighting supplemental.
3/ Excludes payments to States from Mineral Leasing Act; in FY 1984 these payments ($995,434) are included in appropriations to the Minerals Management Services (MMS).

DEPARTMENT OF THE INTERIOR

Comparison of Fiscal Year 1983 with Fiscal Year 1984 Budget Authority
(In thousands of dollars)

Bureau or Office and Appropriation Title	1983 Appropriation[1/]	Net Transfers and requested Supplementals	1983 Amount Requested	Fiscal Year 1984 Estimate	Increase (+) or Decrease (-) 1984 Compared with 1983
LAND AND WATER RESOURCES					
BUREAU OF RECLAMATION					
General Investigations	32,474	6,397[2/3/]	38,871	31,831	-7,040
Construction Program	559,557	4,505[2/4/]	564,062	699,388	135,326
Operation and Maintenance	119,866	1,658[2/]	121,524	145,091	23,567
Loan Program	25,106	---	25,106	41,500	16,394
Emergency Fund	1,919	---	1,919	1,000	-919
General Administrative Expenses	39,928	799[2/]	40,727	53,400	12,673
Subtotal	778,850	13,359	792,209	972,210	180,001
Permanent and Trust Funds	16,500	---	16,500	30,375	13,875
Budget Authority, Total	795,350	13,359	808,709	1,002,585	193,876
Outlays, Total	829,033	20,944	849,977	1,005,848	155,871

1/ Reflects appropriations under the Continuing Resolution, P.L. 97-377, until passage of the Energy and Water Development Appropriations bill.
2/ Reflects payraise and medicare tax supplemental.
3/ Includes transfer of $6 million from Office of Water Policy.
4/ Includes transfer of $1.9 million for WEB Pipeline.

DEPARTMENT OF THE INTERIOR

Comparison of Fiscal Year 1983 with Fiscal Year 1984 Budget Authority
(In thousands of dollars)

Bureau or Office and Appropriation	1983 Appropriation	Net Transfers and Requested Supplemental	1983 Amount Requested	Fiscal Year 1984 Estimate	Increase or Decrease (-) 1984 Compared with 1983
FISH AND WILDLIFE AND PARKS					
Fish and Wildlife Service					
Resource Management	238,687	4,830	243,517	245,311	+1,794
Construction and Anadromous Fish	16,665	--	16,665	14,400	-2,265
Land Acquisition	27,200	--	27,200	--	-27,200
Migratory Bird Conservation Account Advance Appropriation	2,000	--	2,000	--	-2,000
Development and Operation of Recreation Facilities	--	--	--	--	--
National Wildlife Refuge Payments in Lieu of Taxes	5,760	--	5,760	5,760	--
Lower Snake River Compensation Fund	--	--	--	1,029	+1,029
Subtotal, Annual Appropriations	290,312	4,830	295,142	266,500	-28,642
Permanent and Trust Funds:					
Duck stamps	16,376	--	16,376	25,376	+9,000
Lower Snake River Compensation Fund	--	--	--	2,628	+2,628
Other Permanent and Trust Funds	157,426	--	157,426	181,450	+24,024
Subtotal, Permanent and Trust Funds	173,802	--	173,802	209,454	+35,652
Budget Authority, Total	464,114	4,830 a/	468,944	475,954	+7,010
Outlays, Total	491,621	4,748	496,369	488,324	-8,045

a/ Reflects payraise and medicare tax supplemental, and transfer of $3.3 million from the Forest Service for Youth Conservation Corps.

DEPARTMENT OF THE INTERIOR

Comparison of Fiscal Year 1983 with Fiscal Year 1984 Budget Authority
(In thousands of dollars)

Bureau or Office and Appropriation Title	1983 Appropriation	Net Transfers and requested Supplementals and Rescissions	1983 Amount Requested	Fiscal Year 1984 Estimate a/	Increase (+) or Decrease (-) 1984 Compared with 1983
FISH AND WILDLIFE AND PARKS					
National Park Service					
Operation of the National Park Service	564,460	12,319 b/	576,779	599,792	+23,013
National Recreation and Preservation	9,887	168 b/	10,055	--	-10,055
Historic Preservation Fund	26,000	--	26,000	--	-26,000
Construction	159,096	-63,600	95,496 c/	78,275 c/	-17,221
Land Acquisition	142,505	--	142,505	54,671	-87,834
John F. Kennedy Center for the Performing Arts	4,247	89 b/	4,336	4,342	+6
Subtotal, Annual Appropriations	906,195	-51,024	855,171	737,080	-118,091
Miscellaneous Permanent and Trust Funds	2,105	--	2,105	2,105	--
Budget Authority, Total NPS	908,300 d/	-51,024	857,276	739,185	-118,091
Outlays, Total	1,141,960	-6,988	1,134,972	984,583	-150,389

a/ Includes $64 million to be derived from the Land and Water Conservation Fund for the Park Restoration and Improvement Program as follows:
Operation of the National Park System......$42 million
Construction.............................. 22 million

b/ Reflects pay raise and medicare tax supplemental and a $3.3 million transfer from Forest Service for YCC.

c/ Does not include construction project funds which will be provided through contract authority allocated from the Highway Trust Fund as part of Federal Lands Highway Program of the Department of Transportation (1983-$75 million; 1984-$100 million).

d/ Excludes $30 million of permanent contract authority.

DEPARTMENT OF THE INTERIOR

Comparison of FY 1983 with FY 1984 Budget Authority

(In thousands of dollars)

Bureau or Office and Appropriation Title	FY 1983 Appropriation Enacted to Date	Net Transfers and Requested Supplementals	FY 1983 Amount Estimate	FY 1984 Estimate	Increase (+) Decrease (-) 1983 Compared with 1984
ENERGY AND MINERALS					
U.S. Geological Survey					
Surveys, investigations & research	363,389	23,368[1/]	386,757	359,428	-27,329
Barrow area gas operation	6,400	--	6,400	--	-6,400
Digital Cartography	--	--	--	6,028	+6,028
Subtotal	369,789	23,368	393,157	365,456	-27,701
Contributed funds	500	--	500	500	--
Budget Authority, Total	370,289	23,368	393,657	365,956	-27,701
Outlays, Total	425,586	20,096	445,682	380,186	-65,496

[1/] Includes $16,200 transfer from National Petroleum Reserve in Alaska, $273 from Bureau of Reclamation for WRSIC and $6,895 for Civilian, Executive and Medicare pay increases.

DEPARTMENT OF THE INTERIOR

Comparison of FY 1983 with FY 1984 Budget Authority

(in thousands of dollars)

Bureau or Office and Appropriation Title	FY 1983 Appropriation Enacted To Date	Net Transfers and Requested Supplementals	FY 1983 Estimate	FY 1984 Estimate	Increase (+) Decrease (-) 1983 Compared with 1984
ENERGY AND MINERALS					
Minerals Management Service					
Minerals and Royalty Management	196,506	1,989 1/	198,495	155,518	-42,977
Subtotal	196,506	1,989	198,495	155,518	-42,977
Permanent and trust funds	---	---	---	995,434	+995,434 2/
Budget Authority, Total	196,506	1,989	198,495	1,150,952	+952,457
Outlays, Total	164,072	1,949	166,021	1,160,037	+994,016

1/ Supplemental for 1983 pay raises and for Medicare.

2/ Comparable amount in FY 1983 ($556,534) for payments to States under the Mineral Leasing Act was included in appropriations to the Bureau of Land Management.

DEPARTMENT OF THE INTERIOR

Comparison of Fiscal Year 1983 with Fiscal Year 1984 Budget Authority
(In thousands of dollars)

Bureau or Office and Appropriation Title	FY 1983 Appropriation	Net Transfers and requested Supplementals	FY 1983 Estimate	FY 1984 Estimate	Increase (+) or Decrease (-) 1984 Compared with 1983
ENERAY AND MINERALS					
Bureau of Mines					
Mines and Minerals	143,158	1,410 1/	144,568	117,583	-26,985
Trust Funds	800	--	800	800	—
Budget Authority, Total	143,958	1,410	145,368	118,383	-26,985
Outlays, Total	167,918	1,334	169,252	133,663	-35,589

1/ Includes supplemental request for pay raises and Medicare (+$1,515,000), and transfer to the Office of Surface Mining for mine fire control program (-$105,000).

DEPARTMENT OF THE INTERIOR

Comparison of Fiscal Year 1983 with Fiscal Year 1984 Budget Authority
(In Thousands of Dollars)

Bureau or Office and Appropriation Title	FY 1983 Appropria-tion	Net Trans-fers and requested Supplementals	FY 1983 Estimates	FY 1984 Estimates	Increase (+) or Decrease (-) 1984 Compared with 1983
ENERGY AND MINERALS (continued)					
Office of Surface Mining					
Regulation and Technology	60,356	627 1/	60,983	63,497	+ 2,514
Abandoned Mine Reclamation Fund	161,209	---	161,209	218,802	+57,593
Budget Authority, TOTAL	221,565	627	222,192	282,299	+60,107
Outlays, Total	140,556	556	141,112	180,184	+39,072

1/ Represents $522 for pay raise and medicare supplemental and $105 for net transfer of mine outcrop fire program from the Bureau of Mines.

(In thousands of dollars)

	1983 a/ Appro-priation to-date	Net Transfers b/ & Supplementals	Total 1983 Amount Requested	Fiscal Year 1984 Estimate	Inc. (+) or Dec.(-) 1984 Compared with 1983 to-date	Inc. (+) or Dec.(-) 1984 Compared with Total 1983 Req.
Bureau of Indian Affairs						
Operation of Indian Programs.......	843,508	21,469	864,977	841,515	-1,993	-23,462
Construction.......................	67,250	---	67,250	55,875	-11,375	-11,375
Road Construction..................	43,585	---	43,585	4,000 c/	-39,585	-39,585
Total, Federal Appropriations....	954,343	21,469	975,812	901,390	-52,953	-74,422
Permanent and Trust Funds..........	526,015	---	526,015	518,215	-7,800	- 7,800
Budget Authority, Total BIA........	1,480,358	21,469	1,501,827	1,419,605	-60,753	-82,222
Outlays, Total.....................	1,408,746	21,170	1,429,916	1,451,388	+42,642	+21,472

a/ Amounts shown are net appropriations as authorized by P. L. 97-394, making appropriations for the Department of the Interior and Related Agencies, 1983.

b/ Includes pending fire suppression supplemental (14,000) and Federal employee pay cost supplemental (7,469) requested in the FY 1984 budget (Operation of Indian Programs).

c/ Does not include construction project funds which will be provided through contract authority allocated from the Highway Trust Fund as part of the Federal Lands Highway Program of the Department of Transportation (1983-$75.0 million; 1984-$100.0 million).

DEPARTMENT OF THE INTERIOR

Comparison of Fiscal Year 1983 with Fiscal Year 1984 Budget Authority
(in thousands of dollars)

Bureau or Office and Appropriation Title	1983 Appropriation	Net Transfers and Requested Supplementals	1983 Amount Requested	Fiscal Year 1984 Estimate	Increase (+) or Decrease (-) 1984 Compared with 1983
Office of Territorial and International Affairs					
Administration of Territories	73,892	39 2/	73,931	62,150	-11,781
Trust Territory of the Pacific Islands	95,810	30 2/	95,840	87,989	-7,851
Payments to the U.S. Territories, Fiscal Assistance	57,000	--	57,000	59,800	+2,800
Micronesian Claims Fund 1/	--	--	--	--	--
Total, Office of Territorial and International Affairs	226,702	69	226,771	209,939	-16,832
Outlays	292,999	67	293,066	237,953	-55,113

1/ Affects Outlays in 1983 only.

2/ Reflects pay raise and medicare supplemental.

DEPARTMENT OF THE INTERIOR

Comparison of FY 1983 with FY 1984 Budget Authority

(In thousands of dollars)

Bureau or Office and Appropriation Title	FY 1983 Appropriation Enacted to Date	Net Transfers and Requested Supplementals	FY 1983 Amount Estimate	FY 1984 Estimate	Increase (+) Decrease (-) 1984 Compared with 1983 Est.
SECRETARIAL OFFICES					
Office of the Solicitor					
Salaries and expenses	18,404	+663 3/	19,067	18,647	-420
Budget Authority, Total	18,404	+663	19,067	18,647	-420
Outlays, Total	18,036	+650	18,686	18,487	-199
Office of the Inspector General					
Salaries and expenses	21,500	+400 3/	21,900	17,185	-4,715
Budget Authority, Total	21,500	+400	21,900	17,185	-4,715
Outlays, Total	21,346	+384	21,730	21,100	-630
Office of the Secretary					
Departmental management	41,589	+998 3/	42,587	44,006	+1,419
Construction management	896	---	896	896	--
Office of Water Policy	14,118	-6,000 2/	8,118	1,532	-6,586
Youth Conservation Corps 1/	--	--	--	--	--
Special foreign currency	--	---	---	420 4/	+420
Budget Authority, Total	56,603	-5,002	51,601	46,854	-4,747
Outlays, Total	58,659	-5,040	53,619	48,493	-5,126

1/ Shown for outlay effect.
2/ $6 million transferred to the Bureau of Reclamation.
3/ Reflects pay raise and medicare supplemental.
4/ Provide leadership and support in the conduct of water and soil conservation research in India.

DEPARTMENT OF THE INTERIOR

FY 1983 Supplemental Appropriation Requests and Proposed Rescission and Deferral Requests

(In thousands of dollars)

Bureau and Appropriation	Amount Requested
SUPPLEMENTALS	
BUREAU OF LAND MANAGEMENT	
Management of Land and Resources	
Fire Suppression	45,000
BUREAU OF INDIAN AFFAIRS	
Operation of Indian Programs	
Fire Suppression	14,000
DEPARTMENT OF INTERIOR	
Pay and Medicare Tax	42,037
Total Supplemental Requests	101,037
RESCISSION	
NATIONAL PARK SERVICE	
Construction	
Road Projects	-63,600
Total Rescission Request	-63,600
DEFERRALS	
NATIONAL PARK SERVICE	
Land and Water Conservation Fund	
Contract Authority	-30,000
Land Acquisition	-3,000
TERRITORIAL AFFAIRS	
Administration of Territories	-3,200
Total Deferral Requests	-36,200

DEPARTMENT OF THE INTERIOR

AUTHORIZING AND TRANSFER LEGISLATION REQUIRED FOR FY 1984

(In thousands of dollars)

	Existing Authorization	Expiration Date	Amount Requested in Budget
I. Continuing Programs:			
BUREAU OF LAND MANAGEMENT			
Management of Lands and Resources-MLR (except Firefighting)	P.L. 95-352	9/30/82	347,813
Withdrawal Processing ($10,000 in MLR amount)	P.L. 94-579	Until Expended	(1,029)
Withdrawal Review ($10,000, in MLR amount) 1/	P.L. 94-579	Until Expended	(2,500)
Construction and Access	P.L. 95-352	9/30/82	1,200
Land Acquisition	P.L. 95-352	9/30/82	130
Payments in Lieu of Taxes	P.L. 95-352	9/30/82	96,320
BUREAU OF RECLAMATION			
Construction Program: San Luis Valley Project, Ca., Closed Basin	P.L. 92-514 & P.L. 96-375	— —	869
FISH AND WILDLIFE SERVICE			
Wetlands Loan Act	P.L. 87-383	9/30/83	—
Amendments to the Migratory Bird Hunting and Conservation Stamp Act	P.L. 95-552	--	9,000
NATIONAL PARK SERVICE			
John F. Kennedy Center for the Performing Arts	P.L. 97-202	9/30/83	4,342
II. New Program Authority:			
FISH AND WILDLIFE SERVICE			
Amendments to the Federal Columbia River Transmission System Act (Lower Snake River Compensation Fund)	P.L. 93-454	--	2,628
NATIONAL PARK SERVICE			
Park Entrance Fees	—	—	(51,000)

GEOLOGICAL SURVEY			
Digital Cartography Revolving Fund	None	--	6,028
TERRITORIAL AND INTERNATIONAL AFFAIRS			
Administration of Territories Guam Construction	P.L. 97-357	9/30/83	4,038
Insular Development Bank	None	--	2,000
III. Proposed Termination:			
GEOLOGICAL SURVEY			
Transfer of Barrow Gas Fields	P.L. 94-258	None	--

[1] May exceed $10,000 in FY 1984 by about $1,000. An estimated $8,400 will be obligated through FY 1983.

[2] Represents estimated receipts in FY 1984 resulting from proposed legislation. These receipts will be requested for use as part of the FY 1985 appropriation for operation of the National Parks.

19-818 O—83——22

FISCAL 1984

PROPOSED CONSTRUCTION PROGRAM

NATIONAL
PARK
SERVICE
DEPARTMENT OF
THE INTERIOR

U.S. Department of the Interior
National Park Service

FISCAL 1984 LINE ITEM CONSTRUCTION PROGRAM

Park Name	Package No.	Project Title	$ Amount ($000's)
Acadia National Park	152	Construct Restrooms at Fabbri Memorial Area	390
Acadia National Park	274	Build Sewage Disposal System, Jordan Pond	375
Arches National Park	109	Rehabilitate Headquarters and Devils Garden Water Systems	955
Bandelier National Monument	224	Rehabilitate Historic CCC Buildings, Frijoles Canyon	1,120
Big Bend National Park	232	Reconstruct Water System, Castolon	702
Buffalo National River	186	Upgrade Six Flood Alarm Gauging Stations	212
Catoctin Mountain Park	109	Replace Unsanitary Park Potable Water Systems	3,045
Denali National Park and Preserve	141	Reconstruct Headquarters Water System	2,750
Dinosaur National Monument	141	Upgrade Split Mountain Campground Water System	105
Fort Necessity National Battlefield	146	Improve Park Water System	229
Fredericksburg and Spotsylvania County National Battlefields Military Park	161	Improve Fire Protection and Water System, Jackson Shrine	190
Gateway National Recreation Area	149	Rehabilitate Great Kills Seawall and Bathhouse (Phase II)	5,862
Glacier National Park	249	Reconstruct Two Chalets Water and Sewer System	97
Glacier National Park	256	Improve 10 Water Systems	766
Glen Canyon National Recreation Area	287	Rehabilitate Water System, Bullfrog Basin	180
Glen Canyon National Recreation Area	288	Rehabilitate Water System, Halls Crossing	162
Glen Canyon National Recreation Area	281	Dangling Rope Marina and Sanitary Facilities (Completion)	3,883

Park Name	Package No.	Project Title	$ Amount ($000's)
Golden Gate National Recreation Area	175	Remove Dangerous Asbestos, Ft. Mason and Alcatraz	1,550
Hot Springs National Park	188	Rehabilitate Thermal Water Lines	609
Jefferson National Expansion Memorial	229	Interior Dome Repairs Old Courthouse	294
Lincoln Home National Historic Site	196	Structural Rehabilitation and Fire/Intrusion Detection System, Lincoln Home	1,260
Mt. Rainier National Park	278	Upgrade Water and Electrical System, Sunrise	1,210
Mt. Rainier National Park	327	Construct Fire Protection System at Longmire	1,470
Mt. Rainier National Park	328	Install Fire Protection System, Paradise	358
NCP-Central	428	Install 2 Sewage Stations, East Potomac Park	624
NCP-Central	429	Replace Unsanitary Comfort Stations	1,060
North Cascades National Park	298	Rehabilitate Water System, Colonial Creek	720
President's Park	247	Rehabilitate White House Utility System to Codes	3,000
Prince William Forest Park	135	Rehabilitate/Replace Deteriorated Buildings, Camp I (Completion)	1,310
Rocky Mountain National Park	237	Rehabilitate Fall River Pass and Wild Basin Water Systems	255
Sequoia National Park	200	Water, Sewer, and Roads, Clover Creek Concessioner Developments	4,816
Shenandoah National Park	102	Construct Comfort Station, Dickey Ridge	182
Theodore Roosevelt National Park	183	Rebuild 6 Park Water Systems	340

Park Name	Package No.	Project Title	$ Amount ($000's)
Yellowstone National Park	620	Rehabilitate Purchased Concessions Facilities	7,450
Yosemite National Park	451	Sewage Collection and Disposal System, Wawona	10,522
Zion National Park	201	Upgrade Zion Canyon Water and Sewer Systems	3,560
		Total, Line Item Construction	61,613

SUMMARY OF BUDGET

Secretary WATT. It's a particular privilege to present our 1984 budget to the Congress this year. It's a budget that we feel has been honed through 2 aggressive years of experience that have helped us to set some priorities and policies to help restore America's greatness and put the emphasis on the lands and waters of this country. We have made great progress. And Mr. Chairman, special thanks to you because you serve not only as chairman of this full committee, but as chairman of the Appropriations Subcommittee that handles the Department of the Interior activities.

We have sought in these last 2 years to bring about significant and major policy and priority changes through the budget process. And as a consequence you have played a vital role and a key role in this process with us. We are very pleased with the tremendous success that we have had and most of that has come through the good management that we have introduced to the Department together with the priorities that Congress has approved.

You made a comment, Mr. Chairman, in your opening remarks, that for the most part the changes have come about through bipartisan support and indeed that is a true statement. The changes that we have made and which have been presented in our annual report are the result of the tremendous support that we have had from members of this committee and through the appropriations process. In fact it's interesting to note that every Democrat member of this committee, every single Democrat member of this committee, voted for the proposed appropriations that were hammered out by the executive branch and your committee and of course the House as we reached agreement on appropriations. And to have that kind of support from this committee and the Appropriations Committees is indeed pleasing to me. In spite of the rhetoric that has gone on outside, the real decisionmaking process has taken place between the executive and the legislative branches of Government, so we consider it a marvelous success story. I'm pleased to report to you, as I've reported to the President, that every type of Federal land, the national parks, the national wildlife refuges, the national forests, the wetlands, the coastal barriers and the public lands, are much better managed today than they were 2 years ago when we inherited the responsibilities for them.

In the 1984 budget we have tailored a program that will emphasize again the priorities for stewardship of taking care of the land and waters. This budget really is a level budget in total figures. While it is true that the overall budget figure is up, that is principally accounted for because of the mandatory accounts that require an increase. The discretionary portion of the budget, which is about 70 percent of the budget, is in fact, $75 million below the comparable levels for 1983.

The interesting thing is that, while the total indicates that we are level, we are recommending to Congress major changes in priorities. In fact, we are asking for a change of priorities that will range between $200 and $300 million in money shifted from one account to the other. This year we are asking that additional moneys be made available for a continued program to restore the national parks. We are asking for an increase above what Congress appropriated in 1983.

We are asking for a 16-percent increase in moneys made available for improving the national refuge system in America. We are asking for an increase of nearly 50 percent in the money made available for reclaiming the abandoned mine lands through the State program. We are asking for a 26-percent increase in the moneys to be made available to the Bureau of Reclamation because we think that the water problems of the 1990's will be the most serious that we have to experience throughout America, but particularly in the Western States. We have put a heavy emphasis on these stewardship responsibilities of the lands and waters.

We have made a special request for additional money to help the Indian tribes to improve self-government and we think those programs are appropriate.

We have secured the money for those high priorities by recommending to the Congress that there be significant cuts in Federal land acquisition, in grants to the States under the land and water conservation fund, and in the historic preservation program. We are also asking to eliminate some additional fish hatcheries and to make a few other changes. But we think that this is a realignment of the process that will help bring about the stewardship that is so desperately needed as we prepare for the 21st century.

One of the unusually good things that I'm particularly and personally proud of is the shift that we made in road construction for Indian reservations and the national park system. We were successful in recommending to Congress and having the Congress adopt two special accounts in the highway trust fund. As a result, in 1984 we will have available to us $100 million for the construction of Indian roads and $100 million for the construction of park roads from the highway trust fund. This will alleviate the pressures on your appropriations subcommittee for making those appropriations.

I might add that traditionally and in round figures we have secured from Congress roughly $40 million annually for roads on Indian reservations. In 1984 we are proposing a huge increase over the historic $40 million-level for that program.

The road program for the national park system has ranged in the last several years between $30 and $70 million, and the budget includes a significant increase there to help us provide safer park roads for the visiting public.

We think that the leadership we have provided in bringing about this change of priorities will be extremely helpful to us in several regards. We will continue to put a heavy emphasis on multiple use management of the multiple use lands and we need to emphasize again that not all of the lands are multiple use lands. Of the 750 million acres available to us, we have about 74 million acres in the national park system. Those lands of course will not be drilled. Forgive me again for saying this, but I continue to need to say it at every public meeting. We will not drill and we will not mine in the national park system. We have asked that there be no drilling in the wilderness system and we are asking that the refuge system be managed to protect the primary values there. We are also asking that conservation practices be accelerated to enhance environmental protection on the multiple use lands that under statutory authority we call the public lands.

Mr. Chairman, I think that really kind of summarizes the key points of the statement.

ACCOMPLISHMENTS OF PAST 2 YEARS

I have brought with me several charts that I had hoped to present to the committee. In light of the fact that there is not full attendance this morning, I would like at least to go through the charts and make a few comments and then use other charts as questions might come up.

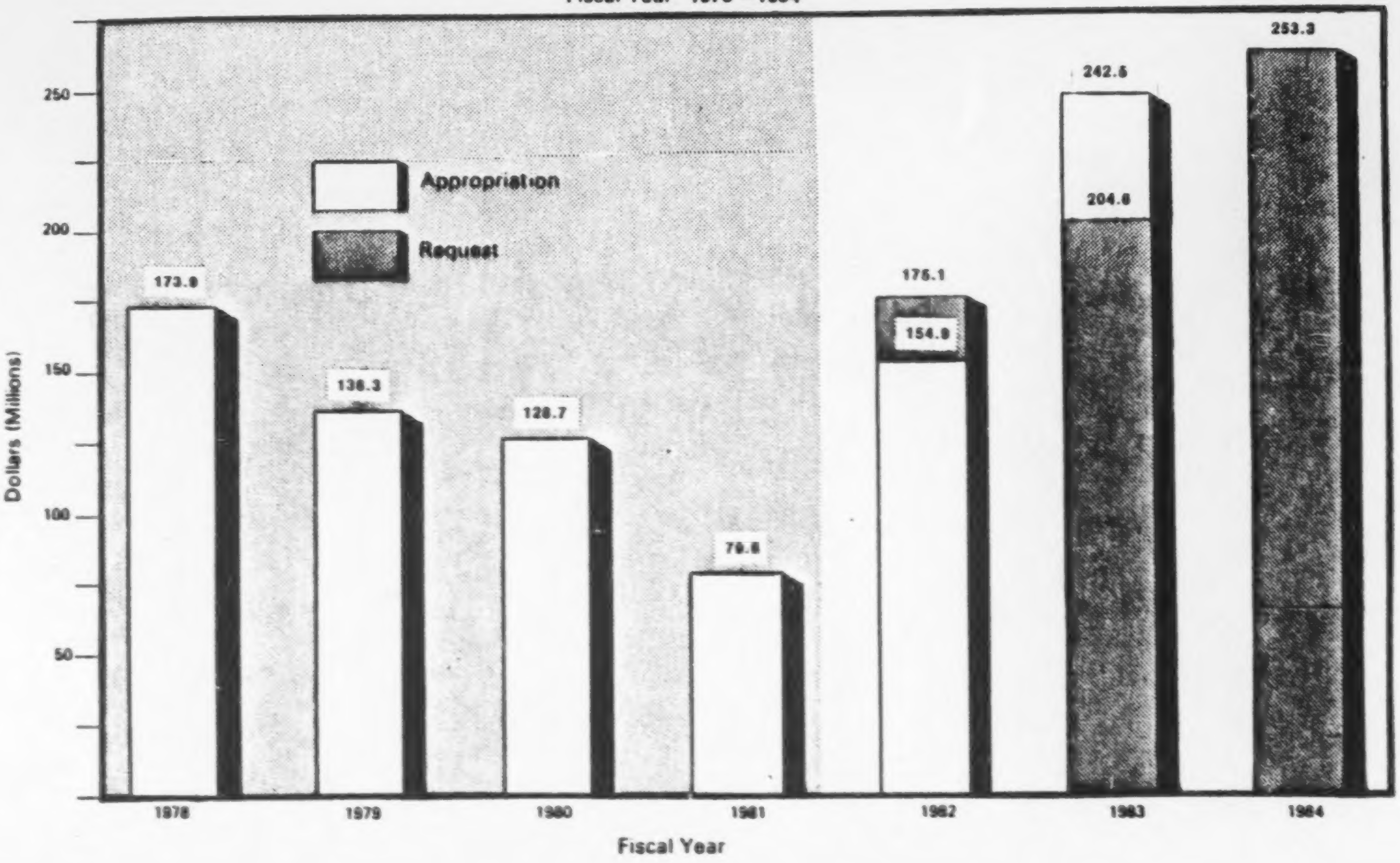
We need to keep in mind the responsibilities of stewardship that we do have which encompasses one-third of America in the lands noted here, with Alaska and the Indian lands, for which we have trust responsibilities noted in red. Those are the Indian's lands, they are not our lands. The green represents the Federal lands, some of which are public, some of which are wildlife, and some of which are parks.

This chart is one that I would like to call to the Senators' attention because I think it shows the style of management that we have sought to bring to the Department. The Department of the Interior has appeared before the Congress of the United States more than all other departments and agencies except two; only the Department of Defense and the Treasury have come to Congress more times than we have. We had 383 hearings. That means that for every 4 legislative days, we've attended five hearings. Some of the hearings, of course, occurred over several days.

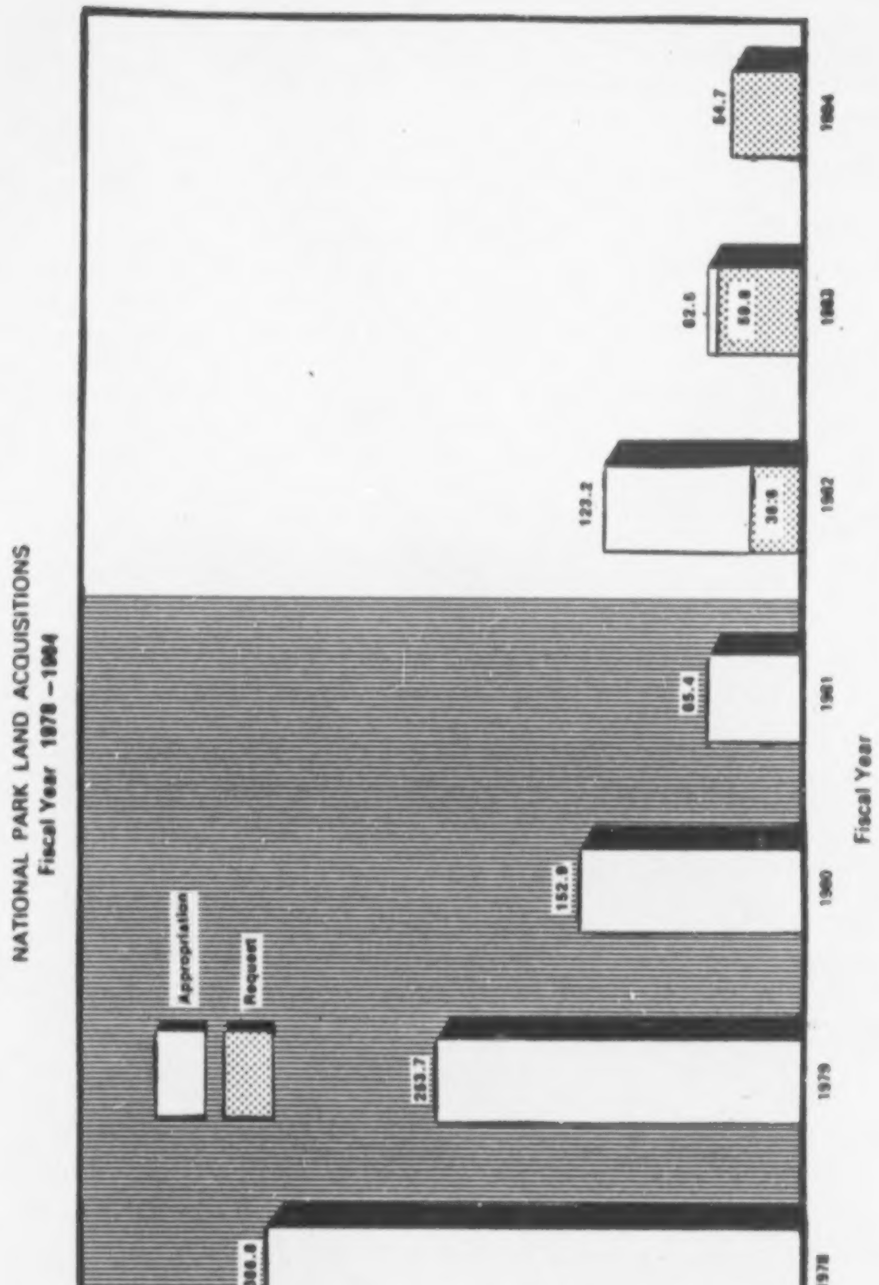
Personally, I have come to the Hill to testify on the average of once every 8 legislative days. And we came repeatedly with eagerness to share the changes in public policy that we were implementing adminstratively and through the budget process. We did not have a significant legislative program. We will not have one for this Congress either. Special compliments deserve to be given to the chairman, Senator McClure, on a couple of major initiatives that we did take through the Congress. Senator McClure, you played a key role in both of them. After 30 years of debate we handled the Reclamation Reform Act and you played a key role in that which was so critical to us. A year ago, we also brought legislation to the Hill that would bring about a new system for royalty management and frankly, had it not been for your personal involvement in the last hours of December of the last session, that act would not have been passed. A special thanks to you and Chairman Udall for bringing that to a successful conclusion because we think it will bring about savings of possibly hundreds of millions of dollars per year to the taxpayers.

RESTORATION OF THE PARKS

Fiscal Year 1978 –1984



The main thrust as we've worked this through with the Appropriation Committee and this committee in explaining our change is that basically we have brought a stewardship concept. I think the three charts that I would like to emphasize particularly show stewardship that dramatizes what this administration has sought to do. We hold nothing with more pride than we do the national park system, and yet when we inherited these responsibilities the General Accounting Office was telling about the shame in which these parks have been managed. As you will see in this chart and the chart in the annual report that has been given wide distribution, every single year of the Carter administration the Congress cut the moneys to be made available for taking care of our national parks. We do not believe that is good stewardship, so in our first year we sought to double the amount of money being spent for restoration and improvement of the park system.


NATIONAL PARK LAND ACQUISITIONS
Fiscal Year 1978 - 1984
Appropriation
Request
Dollars (Millions)
500
450
400
350
300
250
200
150
100
50
368.8
253.7
152.9
65.4
123.2
38.6
62.5
59.8
54.7
1978
1979
1980
1981
1982
1983
1984
Fiscal Year

This was down to roughly $80 million and we requested $175. Congress did not give us all that we asked for in 1982. In 1983 we came in and asked for even more than Congress appropriated in 1982. We asked for $204 million. Congress gave us even more than we asked for in the second year. On the average we did very well.

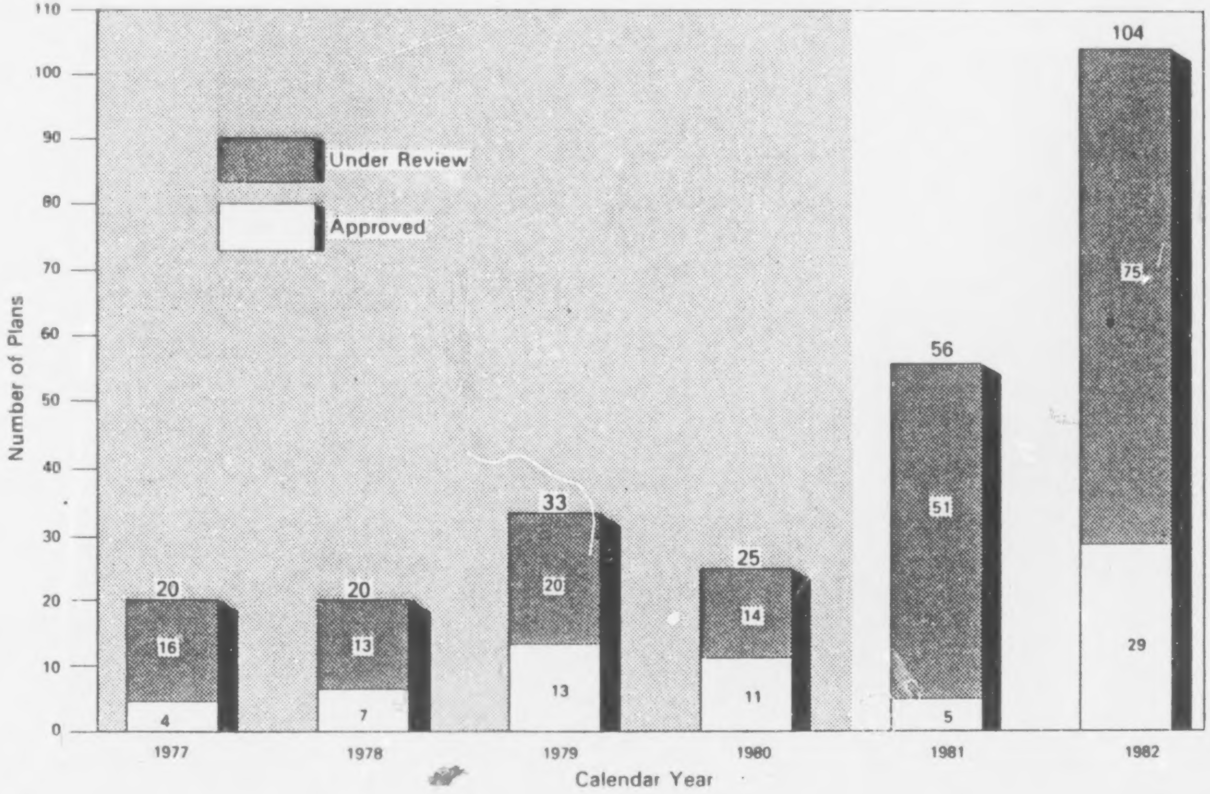
In the 1984 budget we ask for $253 million, which is even more money than Congress gave us last year. We are committed to stewardship. We've taken much criticism this past year, but the facts do not justify it. It needs to be pointed out that nearly every member of this committee voted for this dramatic change of taking care of the national park system and we're proud of this accomplishment.

There will be a sister chart on the acquisition of park lands, but it's not complete for 1983 and 1984. I thought I would have it for today. But this chart shows that it was not the Reagan administration, it was not Jim Watt, who introduced the idea that we should not be accelerating land acquisitions at this time, because we're in a tough tough situation with regard to money. The first year of the Carter administration, Congress appropriated $387 million for acquiring lands in the national park system. Each year this was cut by the Congress until the last year $103 million was made available for acquiring lands in the park system.

To hear some Members of Congress talk, you would think I was the one that conceived the idea of cutting moneys for acquiring park lands. In fact, during the past administration there was over 3½ times as much money called for their first year than their last year.

This is the right side of the stewardship equation. We should not be acquiring land if we're not going to take care of them. While I commend the past administration for what it did, the mistake was that each year they also cut funds for taking care of the parks. This is a dramatic story of stewardship and what we've tried to do in our two budgets prior to this one and again, we emphasize it here.

ENDANGERED SPECIES RECOVERY PLANS

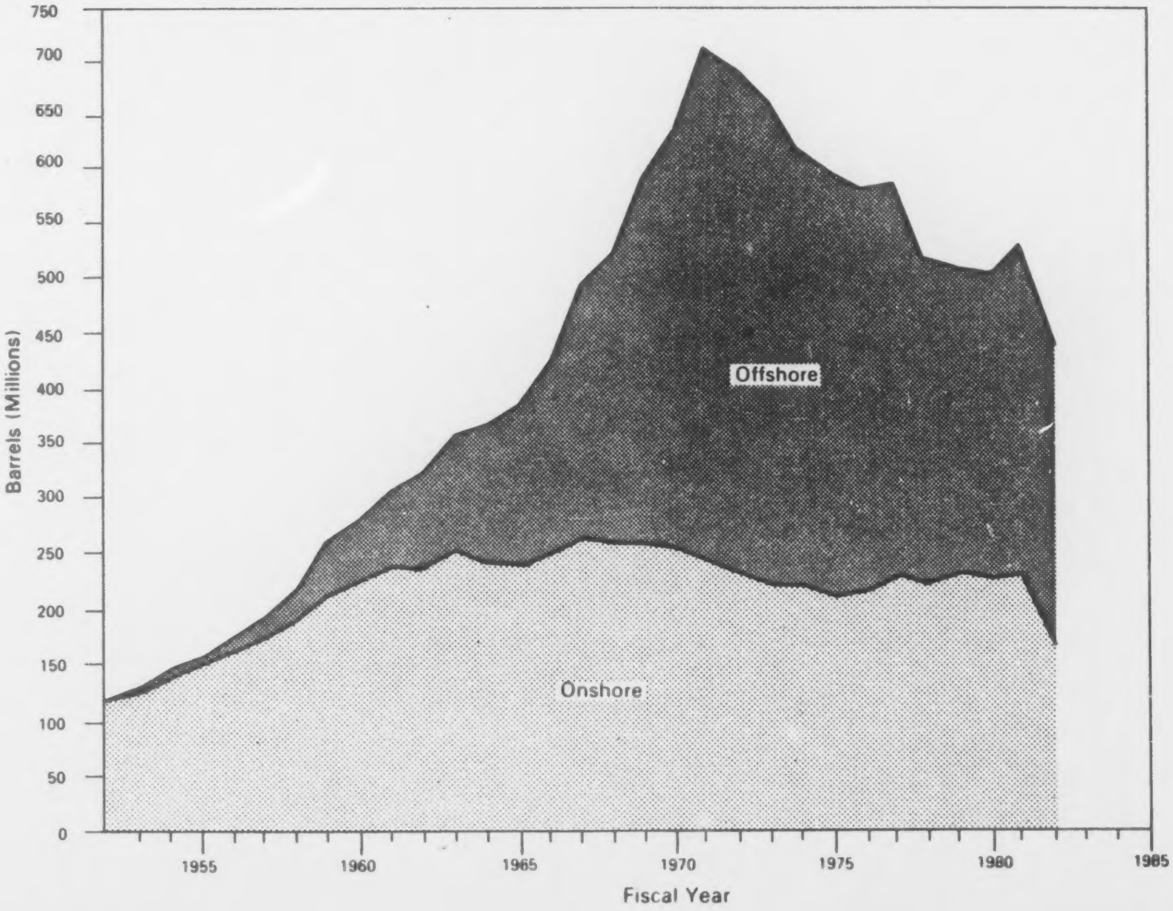


The third chart I would like to emphasize deals with endangered species and the recovery plans. Again you'll see what was done in the Carter administration with regard to the recovery plans. I do not think it is adequate, nor does the Congress of the United States, to simply list endangered species. The law says that if you list the endangered species you must plan for the recovery of that species, and I want to show dramatically, in every way I can, that this administration is committed to the fulfillment of the law and has moved aggressively to do so.

As you'll see by this presentation and in the annual report, and the press has full charts on all of this as well, in our 2 years we increased by more than 60 percent the activities going to stewardship of recovery plans for endangered species. That is 60 percent greater than what the past administration did in its 4 years; that's stewardship. We think this is critical. And you'll see throughout our whole system changes that represent the commitment of taking care of the lands.

We have moved aggressively. I think, Mr. Chairman, that I'll skip several of the charts because I know you personally are familiar with what we have done in our energy efforts. One chart is alarming, however. It shows that past Federal policies have caused the production from the Federal lands to fall off significantly. In fact, we've lost a third of our production from the offshore fields. We're the only country in the world that has lost production of oil and gas from offshore activities in the last 10 years.

OIL PRODUCTION FROM FEDERAL LANDS

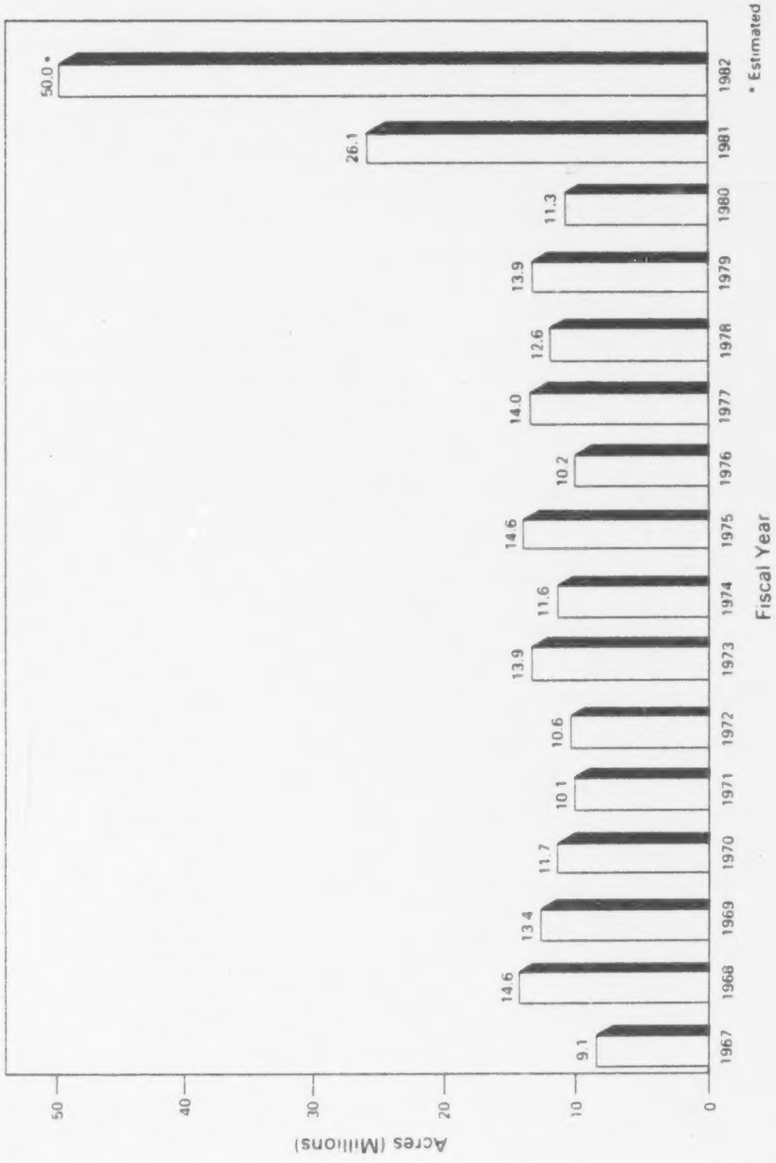


Now what is most alarming about it is that in the last 2 or 3 years, you see a precipitous fall-off in both offshore and onshore because of bad public policy. This did not encourage meeting the needs of the consumers. Now we have aggressively moved to change the offshore leasing program as well as the onshore leasing program, and you'll see that on this chart that we address the offshore program. This is a 30-year history of the way it's been dealt with in the past with tremendous gyrations and fluctuations that did not bring about the strength of capital formation to bring energy to consumers.

Now I must confess there is a major philosophical change in this thrust as well. In past years, the executive branch manipulated the program in an effort to satisfy Federal budget requirements. I understand this, because it generates tremendous quantities of money. We sought to change that. We were not interested in managing this resource for purposes of manipulating the Federal budget, but for the consumers of America. If you are consumer-oriented, you change the policy, hopefully, to bring about an increased supply because we expect that 6 to 7 percent of all the petroleum yet to be found will be on the Outer Continental Shelf.

I had planned to skip several charts but since Senator Murkowski walked in the room I must show the chart which shows the way we look at America. Alaska is the center of our plans for the future and we must look to Alaska to meet oil, gas, and mineral needs, and fortunately we have a great delegation from that State that is eager to bring about the objectives that we are implementing there. Just last week I met with the Governor and we worked out the arrangements so that we will have a healthy working relationship with Alaska.

I'm going to show two more charts and then we'll go to questions.



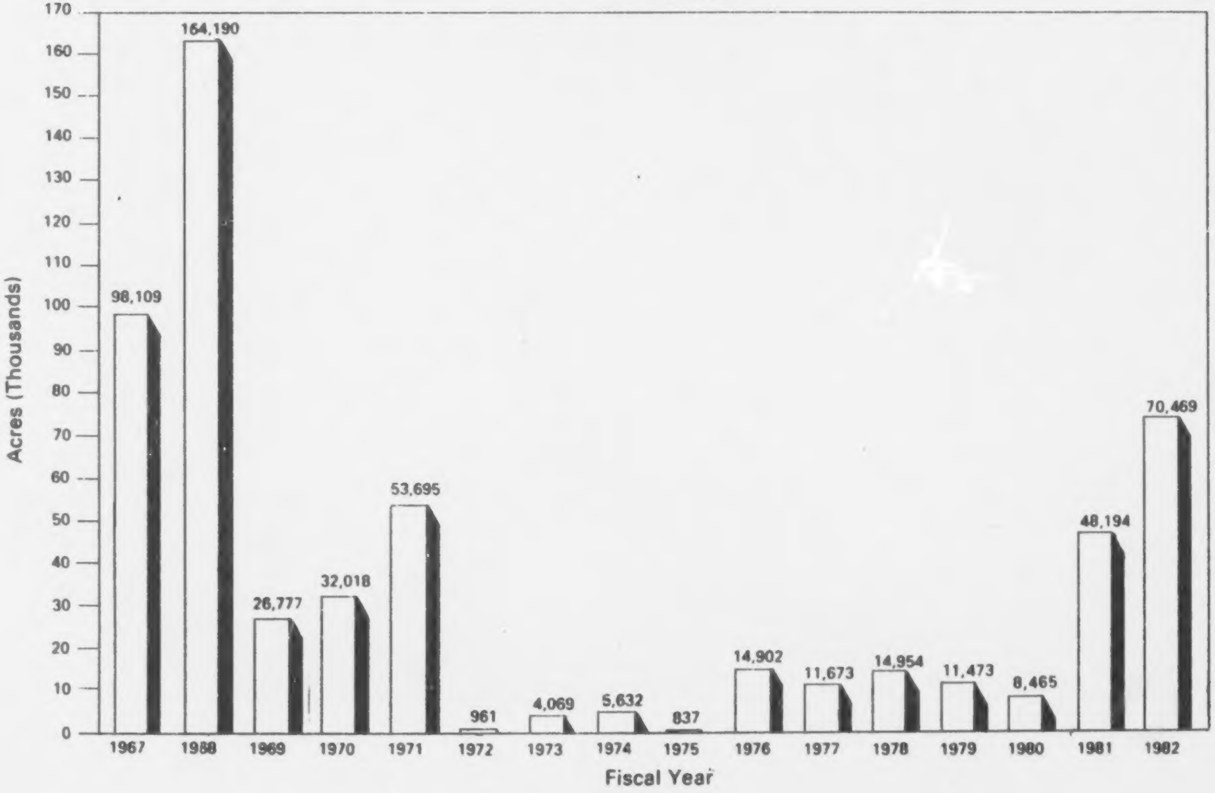
ONSHORE OIL AND GAS LEASING

For onshore oil and gas leasing activities, you'll see that we have managed this program in an aggressive manner in an effort to bring oil and gas to consumers. In 1982 we leased as much oil and gas lands as the Carter administration did in their entire 4 years.

Now the point to be made next is that, while we have been extremely aggressive in onshore and offshore leasing activities, we have required more stringent environmental protection, and environmental safeguards than ever before. Our record is sterling. Never before has industry been subjected to the tough standards that we have put on all of these activities, because we are totally satisfied that you can bring into existence a healthy program for enhancing national security, improving the quality of the environment, and creating jobs. It is not an either/or situation. You can have both.

The coal leasing program fits in with our good neighbor policy and with our asset management policy. We have aggressively addressed the coal leasing program because the consumers demand it. And we've got to be responsive to the consumers if we're going to prepare for the next century. You'll see that in our 2 years we have leased considerably more coal than the past administration. In fact, we have leased eight times as much.

COAL LEASING



We have done it with the total cooperation of the States. There is not one Governor in the coal leasing States who disagrees with one single aspect of our coal leasing program. We've worked that out as good neighbors should work it out.

We have also put stringent environmental safeguards on this program.

Now while I've leased eight times more coal than the Carter administration, I have only leased about 50 percent of what Secretary Udall did in 1968. He made available 164,000 acres. We've made available less than 120,000 acres. What is the difference? The difference is the care for the environment. In 1967 and 1968, Secretary Udall held massive sales. At that time, did not have the good legislation that is now on the books. It was in 1969 and 1970 that we got the tough NEPA laws, the Clean Air Act, the Clean Water Act, the reclamation laws, and the court suits. You see that almost nothing happened in those succeeding years. Frequently the critics will charge that there is already sufficient acreage leased to meet America's needs for hundreds of years and that we need not be leasing at the rates that we're now leasing. That is an empty charge.

While it is true there is sufficient acreage already leased to meet our energy needs, that acreage is not mineable because these lands were leased under economic and environmental times that made them profitable at that time. But they will most likely not be mined now under the stringent environmental laws that we at the Department of Interior require of them. We have entered into a new arena. We have diligent requirements that must be followed in pursuing the leases that we issued and Secretary Udall did not have during the 1960's.

Mr. Chairman, we have had an impressive program that has addressed these issues and brought about significant change. Let me show you what we've done for the environmental enhancement of abandoned mine land. We have moved forward in the surface mining program in an aggressive way. We have brought primacy to the States. We have more State and Federal inspectors on surface mined areas today than ever before in the history of this country. We have reviewed all of the regulations and rewritten many. We have worked hard on these issues. We have obtained the support of the States. Compliance has increased. Our penalties and enforcement are much higher than the past administration's. We're much tougher on those things. And, therefore, compliance has increased and complaints have decreased.

This year we're focusing on changing the emphasis and you'll see that compared to the Carter administration, the Reagan administration is almost three times above what the Carter administration had for abandoned mine land activities. We think that the money ought to be put in the field. It creates jobs, it creates a better environment, and it provides opportunities for the environmental enhancement that we want.

I think, Mr. Chairman, that as we continue to look at these stewardship responsibilities, we must always remember that we are stewards of one-third of America's land. I am repeating, but I want to emphasize this because of the policies that we have brought through the Congress principally through the appropriations process with the support of the members of this committee, including each Democrat who has voted for these changes. We've been successful, and I want to thank you personally for the counsel and advice you've given me during these 2 years. I look forward to a continued healthy relationship in working with this committee.

Mr. Chairman, I have other charts that I may call upon in answering questions, but I think it might be best if we go to those.

The CHAIRMAN. Thank you very much.

NO MINING OR DRILLING IN PARKS

I have a couple of questions that I want to address at the outset and I'll reserve the balance of my time until the other members have had an opportunity.

Earlier, you said you wanted to make the record very clear about what your intentions were and therefore you were going to repeat what your position is. In order to make it even more clear, I'm going to ask you a question to give you a chance to repeat it again.

Do you have any plans for mining or drilling in the national parks?

Secretary WATT. We have no such plans; we have no intentions to do that and never have had any such intentions at any time.

The CHAIRMAN. Unfortunately that seems to be a hard message to get across to people because it keeps coming back. I had a press conference in Spokane, Wash., in December. In talking to a reporter there, one of the reporters, in writing the story, made what I thought was an understandable error, but nevertheless it was a critical error. I was talking about general public land policy and mining and I said that minerals don't always occur where we want them to. They oftentimes occur in some of the most spectacular parts of our country. And he reported not "parts," but "parks." One little letter changed and all of a sudden it looked like I was talking about mining in the parks.

I made comment to him afterward and he stood by his story, which is another part of the problem. There's a little bit of pride on their side, even if they make an error they won't admit it. So I mention that again today because I want to be on the record very firmly on the same side that you're on, that we don't really have any plans, and never have had any, to open up the national parks to any kind of mineral activity.

Secretary WATT. When I first started having so many problems, there was an element of the population that intentionally maligned and distorted those statements in an effort to make whatever hay they could out of it.

Another problem really came about—it was an instant mistake on the part of the press—because in having dialog with you and other Members of the Congress the question would be, What are you going to do about the public lands? The public lands are a specific type of land as identified in the Federal Land Policy and Management Act of 1976. I would say I'm going to open up the public lands. And the press would quickly interpret that to be parks and wilderness. I was responding specifically and legally to the question as it was intended. In general conversations we talked about the public lands and most of the people think that they are city parks because the public owns them. But in this committee, as you are well aware, when we talk about public lands we are usually talking about BLM lands, the 310 million acres that are to be managed on a multiple use basis.

So, I would repeatedly say we are going to open up the public lands, meaning the multiple use lands, and the press would quickly write, Watt's going to open up the parks.

There was a lack of understanding on their part that we have a set of laws for public lands, a set of laws for wilderness, a set of laws for parks, a set of laws for refuges, and a set of laws for national forests, and they are not interchangeable.

I belabor these points now because I understand why the confusion existed, but the laws of the United States do not allow you to mine in the parks. There is an exception I think for five or seven recreation areas and we will follow the law. So thank you.

I hope before too many more years pass that this will be such an irritating subject to the press that they will be upset when they bring it up, but that will probably take several more years.

COAL LEASING

The CHAIRMAN. Mr. Secretary, you have mentioned the differences in coal leasing programs. One of the problems we've had over the last several years in making public policy is really accurately measuring how much coal is already under lease, how much is there.

You mentioned this morning that some of those leases issued back in 1967, 1968, 1969, they are still under lease. There are volumes of coal embodied in the lands that are under lease. But you indicated because of changes in regulatory policy or statute that many of those lands now are not economically operable for coal production. Have you been able to put a figure on that particular point?

Secretary WATT. On acreage?

The CHAIRMAN. On acreage or tons of coal. Oftentimes it's stated one way or the other. Sometimes both.

Secretary WATT. I don't have that on the tip of my tongue but I would like to put it in the record because I think it would be beneficial for the record.

The CHAIRMAN. If you could do so. I think it would help too, if you would indicate, again the point you made today, which this committee has been pursuing for some years, that is that we do want to have due diligence requirements. The people that lease coal lands need to recover that coal, not just sit on it. You would know, as many others know, that some of these leases were committed to life of operation for a specific plan. Could you also provide this committee with both the acreages and volumes of coal that are estimated to be so committed so that they're not available for other purposes.

Secretary WATT. The issue that you focus our attention on is an important one to understand. The leases Secretary Udall issued were for 20 year with no requirements that they be mined at any particular time. So, those leases are going to expire in the mideighties, but they are renewable by the lessee.

When we renew them, if we are asked to renew them, we will renew them under the new act which requires the 10-year due diligence, so some of those Udall leases will be on the books and valid leases roughly through 1996. I don't think many of them are going to be mined, but potentially they have that legal right. They vary, of course, from lease to lease, but generally from 1986 to 1996 they will be under the new statute that requires due diligence and if they don't develop the mine within the 10 years they will, of course, lose their lease.

Now, the leases that we're issuing are under the new law, and require that there be due diligence in the mining process to bring coal to the consumers within that 10-year period. We, of course, are being tough on that.

The CHAIRMAN. I'd like some statistical analysis of the volumes, acreage, and tonnage of coal in those several categories so we can take a look at how policy is developing and how it's being followed.

[The requested information follows:]

COAL LEASING

[Tons in millions]

	Number of leases	Acreage	Tonnage[1]
1. Leases issued before the FCLAA of fiscal year 1976 still having 20 year lease terms	437	662,101	40,050
2. Leases issued before the FCLAA of fiscal year 1976 now having 10 year lease terms[2]	93	116,112	3,702
3. Post FCLAA of fiscal year 1976 leases now having 10 year lease terms[2]	94	158,517	2,490
Total	624	936,730	46,242

[1] All tonnages are in-place reserves. As leases expire particularly under items 1 and 2 above the number of acres and tons under lease will change.

[2] All 10 year leases have diligence requirements.

LAND SALES

The CHAIRMAN. Mr. Secretary, under existing law the Department of the Interior has responsibility for several different categories of lands that are in public ownership, and I didn't say public lands, I'm mindful of your earlier admonition to be careful of legal terminology. Public lands is a generic term and has a specific meaning, so I say lands that are in public ownership. There are some others that are not. Forest Service lands are within the Department of Agriculture. The Department of Defense has certain lands within the Department of Defense. General Services Administration has certain parcels of real property. But in the main, aside from those kinds of activities, the balance of the lands in public ownership are within the jurisdiction of the Department of the Interior. Am I correct in that statement?

Secretary WATT. That is correct.

The CHAIRMAN. It's been suggested by some that this administration has in mind raising $17 billion by selling off parcels of real estate owned by the Federal Government. Does the law permit you to sell?

Secretary WATT. In the Department of the Interior we have authority to sell isolated tracts and those tracts of land which are not needed for carrying out public purposes. We do not need new legislative authority. This program has been going on for many years, and we have authority to sell those lands.

The CHAIRMAN. Is that a restricted authority in quantity or value?

Secretary WATT. It's a restricted authority in types of lands that can be sold and not quantity.

The CHAIRMAN. Under FLIPMA what are the acreage restrictions on sales?

Secretary WATT. I think you're going to know the answer to this. There is a restriction per unit, but not in the cumulative total. It's the isolated tract concept.

The CHAIRMAN. 2,500 acres without coming to Congress.

Secretary WATT. Thank you. And we're not asking for a change in that.

The CHAIRMAN. As you would know, the issue became a very heated one in my State, particularly because it got involved in the political campaign last fall, and reams of statements have been issued, one of which was, while it didn't involve you or the Department of the Interior, in particular, the allegation that 90 to 100 percent of the various national forests in Idaho would be put on the block for sale.

Now that's not within the purview of your Department, but I know that you've been involved in Cabinet Council reviews of these policies.

Has the administration ever had any policy that would lead toward the sale of 90 to 100 percent of the national forests?

Secretary WATT. Mr. Chairman, I think this issue needs to be brought up frequently, just like drilling in the parks needs to be brought up every time. We're not going to drill in the parks and there is no intention to sell that type of acreage at all. It never was intended, never suggested, and in fact administration spokesmen have repeatedly denied those wild allegations. It is not our intention at all.

With regard to Interior activities, we have had all the options discussed on this subject as well and we have not sought to change the law. We obviously have not done well on the public relations side. We don't spend much money on that; the critics do. We will need to work with Members of Congress and I think we will adopt a new awareness for nominations of lands. I think just the other day you requested that we bring these proposed isolated tracts and units to the attention of their respective Senators, you and others, to obtain your approval. We need to ask the Governors to involve this in their State plan. We ought to let the Governors know what we're doing and we really have had good relationships with the Governors, with the exception of those few who wanted to use this for a political issue rather than for fostering a good neighbor relationship. But we'll have to work harder on that and adhere to the law as we have. We need to make it clear that we're not trying to sell off the Federal estate. We're trying to let some communities grow, some hospitals be built, some schools be built, some housing developments be built where these are needed, and to bring about more efficient management by blocking up and selling off some of the isolated tracts.

The CHAIRMAN. I don't mean to belabor the subject.

Secretary WATT. Please do when we get together because it's been abused so badly.

The CHAIRMAN. Because it has been such a concern to people as what was really intended, the faster we can get full information to the public the sooner they'll understand and the sooner this issue can be placed in the perspective where I believe it properly belongs.

I look forward to the time in the very near future where I'll be able to tell the people in my State, by legal description, every 40-, or 16- or 30-acre tract within the State that might be so identified, there might even be one of 160 acres somewhere.

Secretary WATT. And sometimes they might want to identify lands in 40-acre plots that they would like to have to round out a fencing section or something. One of the figures that I have used, and Senator Nickles is here, is a parcel of land that I was told we had in Oklahoma that was roughly 1 foot wide by 2½ miles long. I suggested that if there were any spaghetti farmers we'd be glad to sell it to them, and the Oklahoma State University Professor, Senator Nickles, came back and said he was not aware of any spaghetti farmers in Oklahoma.

The CHAIRMAN. Thank you very much.

Senator Hecht?

Senator HECHT. No questions.

The CHAIRMAN. Senator Melcher?

COAL LEASING

Senator MELCHER. Mr. Secretary, on coal leasing, all of the coal leases, whatever you want to call them, regardless of who issued them, if they're not in production in August 1986 as I understand it, they can't be renewed. Do you interpret the law the same?

Secretary WATT. Unless those coal leases were issued prior to the due diligence statutory requirement. The leases that Secretary Udall made that I showed on the chart that were not subject to that due diligence requirement, and if the lessee then seeks an extension we will make the extension subject to that 10 year due diligence requirement and he can go until 1996.

Senator MELCHER. We don't seem to recall that being the case at all. Why would Congress want that requirement in the 1976 act?

Secretary WATT. The due diligence requirement? I think it's a good requirement.

Senator MELCHER. No, Mr. Secretary. Don't belabor this. Why would we require the leases after August 1986, those old leases, to be under production or not to be renewed if we wanted the 10 years to start applying then? Maybe you can't answer that, but it seems a peculiar interpretation of the law.

Secretary WATT. It would be appropriate for me to explain to you the requirements on that. If you'd like for the record, I could supply the Solicitor's opinion on those old leases. And that's been prepared and we'll be glad to submit it.

Senator MELCHER. Please do that.

Those old leases were always subject to due diligence so we'll look at whatever the Solicitor's rendering in his opinion now.

Secretary **Watt**. Senator, the leases were not subject to due diligence requirements.

Senator **Melcher**. Lawyers that have worked with it a lot longer than you've been Secretary, even longer than you worked at the Department itself in a different area, don't believe that is the case at all.

Secretary **Watt**. If that were the case then most of those leases would have expired in 1975 and 1976.

Senator **Melcher**. The due diligence interpretation was entirely different on those old leases and we tried to straighten that out in the 1976 act. Now we find that in spite of what we thought was going to happen after 10 years on those old leases, we've gotten a Solicitor's opinion that seems to say differently.

[The requested information follows:]

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

SEP 17 1981

Memorandum

To: Assistant Secretary, Land and Water Resources
Assistant Secretary, Energy and Minerals

From: Solicitor William H Coldiron

Subject: Whether leases issued prior to August 4, 1976 subject to readjustment after that date must be readjusted to conform to the Federal Coal Leasing Amendments Act of 1976.

The question has repeatedly arisen whether coal leases issued prior to August 4, 1976 ("pre-FCLAA leases") are at readjustment subject to the new requirements that the Federal Coal Leasing Amendments Act of 1976, Pub. L. 94-377 (the "FCLAA"), added to the coal provisions of the Mineral Lands Leasing Act of 1920, 30 U.S.C. § 181 et seq. (1976) (the "Act"). The Department decided as a matter of policy in 1976 to readjust pre-FCLAA leases to conform to the provisions of the FCLAA, and the question of whether that policy is legally compelled has not been fully analyzed.

Further analysis confirms our prior conclusion: 1/ when the Secretary readjusts a pre-FCLAA lease, he must do so in conformity with the Act as amended. Accordingly, pre-FCLAA leases must be readjusted to contain the terms which the Act mandates for all leases, including the 12 1/2 percent minimum production royalty for surface mined coal and the ten-year production requirement. Those lessees that find the FCLAA royalty rate requirements onerous may seek relief on a case-by-case basis under section 39 of the Act, 30 U.S.C. § 209 (1976).

I. READJUSTMENT UNDER THE 1920 ACT PRIOR TO THE FCLAA.

A. Indeterminate Leases And Twenty-Year Leases Compared.

Section 7 of the Act, 30 U.S.C. § 207 (1970), originally read in part:

1/ Solicitor's Opinion, M-36920, 87 I.D. 69 (1979); Memorandum dated Feb. 16, 1979 to Assistant Secretary, Land and Water Resources from Associate Solicitor, Energy and Resources, "Readjustment of coal lease royalties"; Letter dated Sept. 12, 1978, to Senator Henry Jackson from Frederick N. Ferguson, Deputy Solicitor; Memorandum dated May 2, 1978 to Chris Farrand, Deputy Under Secretary, from the Deputy Solicitor, "Royalty terms upon readjustment of coal leases."

> [Coal] Leases shall be for indeterminate periods upon condition . . . that at the end of each twenty-year period succeeding the date of the lease such readjustment of terms and conditions may be made as the Secretary may determine, unless otherwise provided by law at the time of expiration of such periods. (Emphasis added.)

The 1920 Act also provided that phosphate and oil shale would be leased for an indeterminate term subject to periodic readjustment. 2/ Oil and gas and sodium were to be leased for twenty years, with the lessee having a preferential right to renew for successive periods of ten years. 3/

Why did Congress choose to lease coal for an indeterminate term subject to readjustment of all terms and conditions at twenty-year intervals instead of for a twenty-year term with a preferential right to renew? In the legislative history of the 1920 Act, lease renewal was frequently equated with lease readjustment. E.g. 56 Cong. Rec. 7045, 7046 (May 24, 1918) (Remarks of Rep. Robbin). Nonetheless, Congress employed different language in section 7 to describe the term of a coal lease than it did in section 17 to describe the term of an oil and gas lease.

The legislative history of the 1920 Act suggests that Congress chose indeterminate coal and phosphate leases and twenty-year oil and gas leases primarily to satisfy what Congress perceived to be a greater need for reliability of investment in coal mines and phosphate plants. See 51 Cong. Rec. 14945 (Sept. 10, 1914) (Remarks of Rep. Thomson of Ill.); Letter dated September 12, 1914 from George H. Ashley, Acting Director of the U.S. Geological Survey to Rep. Scott Ferris, Chairman of the House Committee on Public Lands. Both readjustable leases in the 1920 Act allow the lessee to continue operations until the mineral is extracted. The critical difference in the reliability of investment

---

2/ Section 10 of the Act, 30 U.S.C. § 212 (1976) (phosphate); section 21 of the Act, 30 U.S.C. § 241 (1976) (oil shale). All the terms and conditions of phosphate leases are subject to readjustment at the end of successive twenty-year periods; however, only the royalties of oil shale leases may be readjusted.

3/ Section 7 of the Act, 41 Stat. 443 (oil and gas); section 24 of the Act, 30 U.S.C. § 262 (1976) (sodium). Competitive oil and gas leases are currently issued for a primary term of five years and non-competitive leases for a primary term of ten years, and so long thereafter the primary term as oil and gas is produced in paying quantities. 30 U.S.C. § 226 (1976).

provided by an indeterminate and a determinate lease is in the termination procedures. With an indeterminate lease, if a lessee fails to comply with a condition the lessor must go to court in order to end the lease. Section 31(a) of the Act, 30 U.S.C. § 188(a) (1976). But if a lessee fails to comply with the terms and conditions of a twenty-year lease, the lessor can end the lease simply by notifying the lessee at the end of the lease term. This difference provides the added security that Congress sought for coal and phosphate leases by assuring lessees their leases can be terminated only by judicial order.

b. The Scope Of The Secretary's Discretion To Readjust Under The 1920 Act.

The phrase "unless otherwise provided by law" in former section 7 gave the Secretary discretion to readjust lease terms as he deemed proper, unless at the expiration of the twenty-year period the law specifically directed that a term be included in the lease. If at the end of the twenty-year period the law directed that a lease contain a new provision, section 7 compelled the Secretary to readjust the lease.

Section 7, then as now, required certain provisions be included in all coal leases. Nothing in the 1920 Act or its legislative history suggests that readjustment may be contrary to mandatory lease terms. See 56 Cong. Rec. 7047 (May 24, 1918) (Remarks of Rep. Mondell). Thus, under former section 7, readjustment could not reduce the royalty to less than five cents per ton, since the Act prevented a royalty of less than five cents per ton. 30 U.S.C. § 207 (1970). Similarly, readjustment could neither eliminate the diligent development and continued operation requirements nor delete those lease provisions required by section 30 of the Act, 30 U.S.C. § 187 (Supp. III 1979).

Former section 7 provides no guidance as to the Secretary's present readjustment authority since it was repealed by the FCLAA without any preservation, grandfather, or "subject to" clause. The former provision for a minimum five cents per ton royalty no longer exists and can no longer govern pre-FCLAA leases. See Sutherland, 1A Statutes and Statutory Construction, 236 (4th ed. 1972). 4/ Section 7 as amended by the FCLAA now provides authority for readjustment.

4/ While section 6 of the FCLAA eliminated the provision "unless otherwise provided by law at the time of expiration of such periods" from section 7 of the Act, the former wording of section 7 is preserved in the leases issued prior to the FCLAA. E.g. Form 4-696 (Dec. 1958). Since the lease readjustment term tracks former section 7, the pre-FCLAA lease itself requires that the readjusted terms conform to the law in existence at the end of the 20-year term--in other words, conform to the FCLAA. But since the provision "unless otherwise provided by law" is no longer statutorily required, the United States and the lessee could agree to ignore or revoke it. See Weiner v. Compagnie General Transatlantique, 61 F.2d 893, 895 (2d Cir. 1932); Littell v. Morton, 369 F. Supp. 411, 422 (D. Md. 1974), aff'd, [illegible] F.2d 1399 (4th Cir. 1975).

II. READJUSTMENT UNDER THE ACT AS AMENDED BY THE FCLAA.

A. Amended Readjustment Provision.

Section 6 of the FCLAA amended section 7 of the Act, 30 U.S.C. § 207 (1976), to read in part:

> Such rentals and royalties and other terms and conditions of the lease will be subject to readjustment at the end of its primary term of twenty years and at the end of each ten-year period thereafter if the lease is extended. (Emphasis added.)

The legislative history of the FCLAA does not specifically address the altered readjustment provision except to note that the readjustment interval is changed from twenty to ten years. The legislative history simply indicates that this change was made so that the Secretary could readjust terms to reflect more closely changing market conditions. See H. R. Rept. No. 94-681, 94th Cong., 1st Sess. 18 (1975). 5/

Nonetheless, as it did prior to the FCLAA, the Act makes certain lease terms mandatory, such as a 12 1/2 percent royalty for surface mined coal. At least for leases issued after August 4, 1976, the Secretary may not later readjust to delete or alter the mandatory lease terms. For example, the Secretary may neither readjust the royalty of a post-FCLAA lease to less than 12 1/2 percent of the value of surface mined coal nor may the Secretary readjust to eliminate the terms and conditions required by section 30 of the Act, 30 U.S.C. § 187 (Supp. III 1979).

A comparison of section 7 before and after the enactment of the FCLAA shows the change in wording did not change the restraints on the Secretary's discretion to formulate readjusted lease terms. While pre-FCLAA section 7 expressly limited the Secretary's readjustment determinations by the phrase "unless otherwise provided by law," that phrase is implicit in amended section 7, since the Secretary cannot act--or readjust--contrary to law. The question remains whether readjustment of pre-FCLAA leases must be in accordance with the requirements the FCLAA added to the Act.

5/ H.R. 3265, which was the subject of House hearings, provided for readjustment at the end of a primary lease term of ten years and at five year intervals thereafter. The Department of the Interior commented that such frequent readjustment would disrupt economic planning, discourage production and create an unnecessary administrative burden. Instead, the Department urged that the primary term be increased to twenty years, with readjustment periods each ten years thereafter, which was done. H. R. Rept. No. 94-681, 94th Cong., 1st Sess. 32 (1975).

B. Application of the FCLAA to Pre-FCLAA Leases.

1. Legislative History of the FCLAA.

The legislative history of the FCLAA sheds little light on whether pre-FCLAA leases must be readjusted to conform with the FCLAA since Congress generally failed to distinguish between the FCLAA's effect on existing leases that become subject to readjustment from those in the middle of a twenty-year period. Congress intended that the FCLAA not affect pre-FCLAA leases before those leases become subject to readjustment, with one exception--section 3 of the FCLAA, 30 U.S.C. § 201(a)(2)(A) (1976). That exception provides that a lessee who holds a non-producing lease, including pre-FCLAA leases, for ten years after the enactment of the FCLAA may not be issued new federal leases. See H. R. Rept. No. 94-681, 94th Cong., 1st Sess. 15 (1975).

Rep. Mink, Chairwoman of the House Subcommittee on Mines and Mining, summarized the effect of the FCLAA on pre-FCLAA leases:

> The 533 existing Federal leases would be unaffected by the bill except to the extent its provisions are made applicable upon the periodic ten [sic] year readjustment of the lease terms or upon the inclusion of an existing lease in a logical mining unit. The only other sanction imposed on existing leases would be a prohibition on leasing any additional Federal tracts to an entity which holds a nonproductive lease [ten] years after the date of enactment of this bill.

122 Cong. Rec. 489 (1976). 6/ Rep. Mink's use of "except to the extent" in conjunction with readjustment may be read in several ways. First, it could indicate she thought the Secretary has the authority to readjust pre-FCLAA leases but is not compelled to exercise that authority. Second, "to the extent" may also mean that some, but not all, of the provisions of the FCLAA must govern the readjustment of the 533 pre-FCLAA leases. Rep. Mink used the phrase "except to the extent" in a sentence addressing the two events which make at least some of the FCLAA provisions applicable to pre-FCLAA leases: the inclusion of pre-FCLAA leases in logical mining units, and readjustment. Section 5 requires that a pre-FCLAA lease included in a logical mining unit become subject to other provisions of the FCLAA. As used in connection with logical mining units, then, Rep. Mink's "except to the extent" did not indicate that the Secretary has discretion to impose FCLAA requirements on pre-FCLAA leases consolidated into a logical mining unit, but rather that only part of the FCLAA requirements were mandatory for such leases. The same understanding may explain her use of the phrase in speaking of readjustment as well. Thus, those provisions of the FCLAA affecting issuance of leases could

---

6/ By floor amendment the fifteen year provision was changed to ten years. 122 Cong. Rec. 504 (Jan. 21, 1976). Prior to the enoctment of the FCLAA, the leases had twenty-year readjustment periods.

not apply to pre-FCLAA leases at readjustment. But provisions imposing mandatory requirements on all leases govern the readjustment of pre-FCLAA leases.

2. *Readjusted pre-FCLAA leases become new contracts governed by the FCLAA.*

The legislative history confirms that the FCLAA applies only prospectively and does not alter leases issued prior to August 4, 1976 before those leases become subject to readjustment. 122 Cong. Rec. 489 (1976) (Remarks of Rep. Mink). But the FCLAA does affect conduct, events and circumstances which occur after its enactment. Sutherland, 2 *Statutes and Statutory Construction*, 245 (4th ed. 1973). The lessee of a pre-FCLAA lease has no vested rights to the indefinite continuation of existing lease terms, since *all* the terms and conditions were prescribed subject to periodic readjustment. The legislative histories of the 1976 and 1978 Acts, as discussed, indicate that readjustment of a pre-FCLAA lease after August 4, 1976 is, like issuance of a new lease, an event which the FCLAA governs.

Lease readjustment is like a lease renewal accompanied by a revision of lease terms. The exercise of an option to "renew" a contract for a further term is generally held to produce a new contract. 7/ This is particularly true if the renewal involves the substitution of new terms rather than the retention of the existing terms. One court stated that to renew means to "begin again" or "continue in force" the old contract. *East Bay Union of Machinists, Local 1304 v. Fibreboard Paper Products Corp.*, 285 F. Supp. 282, 287 (N.D. Cal. 1968), *aff'd*, 435 F.2d 556 (9th Cir. 1970). 8/ In *Wyodak Chemical Co. v. Board of Land Com'rs*, 51 Wyo. 265, 65 P.2d 1103, 1105 (Wyo. 1937), the Supreme Court of Wyoming held a lease issued for a term of ten years with a preferential right to renew for successive ten-year periods meant that:

> The old lessee must meet all reasonable terms and conditions which may be laid down from time to time by the board, and which other persons are willing to meet, thus making the lease *not a continuing one . . . but in fact a new one.* (Emphasis added.)

7/ *E.g.* *Hennigan v. Chargers Football Co.*, 431 F.2d 308 (5th Cir. 1970). Renewals have been distinguished from extensions of a contract, which is a mere extension of the original term rather than a new contract, although the two terms can be synonymous. *Haddad v. Tyler Production Credit Ass'n*, 212 S.W. 2d 1006, 1008 (Tex. Civ. App. 1948).

8/ *Accord*, *Seymour v. Coughlin*, 609 F.2d 346, 351 (9th Cir. 1979); *cert. den.* 446 U.S. 957 (1980); *Hauben v. Harmon*, 605 F.2d 920, 925 n. 2 (5th Cir. 1979).

Courts have similarly held statutes enacted after the parties have entered into a contract but before the contract is renewed applies to that contract. See Wright v. Paine, 289 F.2d 766, 769 (D.C. Cir. 1961) (federal oil and gas lease); United States v. Ohio Oil Co., 163 F.2d 633, 638-41 (10th Cir. 1947) cert. den. 333 U.S. 833 (1948) (same). 9/ The implication of the contract renewal cases for coal lease readjustments is that readjustment produces a new contract to which the law existing at the time of readjustment applies.

That the FCLAA applies to pre-FCLAA leases at readjustment is clear. Section 6 of the FCLAA amended section 7 of the Act without any grandfather clause or exemptions. Unless the FCLAA applies, pre-FCLAA leases are no longer subject to statutory minimum royalty and rental rates and the Secretary would be free to eliminate royalty and rental obligations from a readjusted lease. The Secretary could even liberate a lease from the conditions of diligent development and continued operation. Given the strong expressions in the legislative history of the FCLAA of Congress's desire to exact a fair return and ensure that leases are developed and not held for speculative purposes, it is not likely that Congress intended to free the Secretary from any statutory restraints in readjusting pre-FCLAA leases. Since former section 7 no longer exists to govern the exercise of the Secretary's readjustment authority, the only alternative is that the Act as amended by the FCLAA controls.

3. Lease terms made mandatory by the FCLAA.

The FCLAA amended the Act to require new mandatory lease terms, most notably a minimum 12 1/2 percent production royalty rate for surface mined coal and a ten-year production requirement. Section 6 of the FCLAA, amending section 7 of the Act, 30 U.S.C. § 207 (1976). The 12 1/2 percent minimum royalty rate is by its terms absolute; it does not read "a lease issued after August 4, 1976 shall require", and I conclude that the Secretary must readjust the royalty rate of pre-FCLAA leases to not less than 12 1/2 percent the value of surface mined coal. Statements regarding application of the 12 1/2 percent royalty at

---

9/ See also Reinders Brothers, Inc. v. Rain Bird Eastern Sales Corp., 627 F.2d 44, 49 (7th Cir. 1980) (statute prohibiting termination of franchise contract without good cause applies to renewal of existing franchise agreements); Consumers Oil Corp. v. Phillips Petroleum Co., 488 F.2d 816, 818 (3rd Cir. 1973) (same; statute expressly applies to renewal or amendment of existing franchises). Cf. Mimi Corp. v. Hill, 310 F.2d 467, 470 (10th Cir. 1962) (assignor of federal oil and gas lease retains overriding royalty interest in "new" preference lease issued to assignee under Mineral Leasing Act); Gibbons v. Pan American Petroleum Corp., 262 F.2d 852, 855 (10th Cir. 1958) (distinguishing effect of amendment to Mineral Leasing Act on automatic extension of oil and gas leases by operation of law and their extension upon application, which is "akin to the issuance of new leases.")

readjustment in the legislative history of the Act of October 30, 1978, Pub. L. No. 95-554, 92 Stat. 207 ("1978 Act") discussed below, support this conclusion.

Section 6 of the FCLAA also amended section 7 of the Act, 30 U.S.C. § 207, to provide that "[a]ny lease which is not producing in commercial quantities at the end of ten years shall be terminated." The statute neither specifies when the period begins nor expressly limits the requirement to leases issued after August 4, 1976. Both Senator Metcalf and Rep. Mink stated that the ten-year period runs from lease "issuance". 122 Cong. Rec. 19379 (June 21, 1976); 10/ 122 Cong. Rec. 25456 (August 4, 1976) 11/ Readjustments were not at issue when they spoke, however. The House report states that leases existing at the enactment of the FCLAA would be exempt from the ten-year production requirement "except to the extent it might be made applicable upon readjustment of lease terms." H. R. Rept. No. 94-681 at 15. Immediately before the House voted to override President Ford's veto of the bill, Rep. Baucus stated in support of such a vote that, contrary to the veto message:

> S. 391 was carefully drafted to increase coal production from Federal leases by requiring production from leases within 10 years. This requirement is in S. 391 because only 59 of the 534 [sic] existing Federal leases have ever produced coal. Indeed 239 of 467 western leases have no production plans prior to 1990. Instead, most existing leases are held for speculative purposes--to be developed when the price for coal is right--for the coal companies. Profits from rising coal prices, therefore, go not to the Federal Government which owns the coal, but to the lessee. As trustee of the Federal coal lands, Congress must put an end to this. S. 391 does, and yet so reasonable are its provisions that the 534 [sic] existing leases will not have to produce coal until 10 years after the next scheduled readjustment of lease terms,

---

10/ Senator Metcalf submitted a summary of the major differences between the House and Senate bill, which stated that while the Senate bill required development of the lease in seven years the House bill provided that any lease not producing at the end of ten years from the issuance of the lease shall be terminated.

11/ In urging the override of President Ford's veto Rep. Mink stated that the bill would "enact Interior's regulatory provisions requiring production from coal leases within 10 years of lease issuance."

> which in many cases will not be for 15 or 20 years. This can hardly be termed unfair.

122 Cong. Rec. 25464 (Aug. 4, 1976).

Rep. Mink and Senator Metcalf did not state that the ten-year period runs exclusively from lease issuance; readjustment was not an issue in the immediate context of their statements. The House report is ambiguous. Thus, Rep. Baucus's remark that pre-FCLAA leases would have ten years from readjustment to produce coal in commercial quantities is not inconsistent with the statements that leases must produce within ten years of lease issuance. Further, it is the only unambiguous statement how and whether the ten-year production requirement applies at the readjustment of pre-FCLAA leases. Because of Rep. Baucus's comment, and the express language of the Act that "[a]ny lease" not producing in ten years shall be terminated, I conclude that the ten-year production requirement is also a mandatory term that applies to pre-FCLAA leases at readjustment.

C. 1978 Act

The legislative history of the 1978 Act supports my conclusions about Congress's understanding of how readjustment works under the FCLAA; an understanding which is entitled to consideration as an expert opinion regarding the proper interpretation of the FCLAA. Sutherland, 2A *Statutes and Statutory Construction*, 966 (4th ed. 1972). *See Bobsee Corp. v. United States*, 411 F.2d 231 (5th Cir. 1969). The 1978 Act, among other things, amended section 3 of the Act, 30 U.S.C. § 203 (Supp. III 1979), which authorizes the modification of existing leases to add up to 160 acres of contiguous lands. As amended in 1976, section 3 read in part:

> The Secretary shall prescribe terms and conditions which shall be consistent with this chapter and applicable to all of the acreage in such modified lease.

Pub. L. 94-377, § 13(b); 90 Stat. 1090. The House report on what became the 1978 Act noted that lessees were reluctant to apply for modifications because "they would be faced with having to accept the more stringent requirements of the 1975 Act [the FCLAA] for the entire lease area." H.R. Rept. No. 95-1635, 95th Cong., 1st Sess. 3 (1978). Consequently, the 1978 Act altered the modification provision by adding after the sentence quoted above:

> except that nothing in this section shall require the Secretary to apply the production or mining plan requirements of section 202a(2) [40-year mine out] and 207(c) [3-year operations and reclamation plan submittal] of this title. The minimum royalty provisions of section 207(a) [12 1/2 percent] of

> this title shall not apply to any lands covered by this modified lease prior to a modification until the term of the original lease or extension thereof which become effective prior to the effective date of this Act has expired. (Emphasis added.)

In 1978 the readjustment provision stated that leases "will be subject to readjustment at the end of its primary term of twenty years and at the end of each ten-year period thereafter if the lease is extended." Thus, the 1978 amendment to 30 U.S.C. § 203 means that the 12 1/2 percent minimum royalty "shall not apply to any lands covered by this modified lease prior to a modification until" the lease is readjusted. The Senate report on S. 3189 noted while discussing section 3 that:

> All leases would of course be subject to the provisions of the 1976 amendments at the expiration of their original lease term. Section 3 does not affect this eventuality in any way. It only addresses changes in a lease which would result from modification. (Emphasis added.)

S. Rept. No. 95-1169, 95th Cong., 2d Sess. 7 (1978). See also H. R. Rept. No. 95-1635, 95th Cong., 1st Sess. 3 (1978).

Senator Melcher proposed a floor amendment to S. 3189 which would have required that all leases that had become subject to readjustment prior to the enactment of the 1976 Act be readjusted to conform with the minimum 12 1/2 percent royalty. 12/ Cong. Rec. S15613 (daily ed., Sept. 20, 1978). With respect to pre-FCLAA leases that become subject to readjustment after August 4, 1976, Senator Melcher stated:

> The usual terms of the coal lease, I think in all cases, was that every 20 years they would have to be renewed. The effect of the bill passed in 1976 was that, as those leases became renewable at the end of 20 years, the terms of the lease would be changed to 12.5 percent royalty.

Id. It follows that at readjustment, the lease must be readjusted to comply with the minimum royalty. Since neither 30 U.S.C. § 203 nor any other provision of the Act provides a basis for treating modified

---

12/ The amendment was adopted and passed by the Senate. Cong. Rec. S15617 (daily ed., Sept. 20, 1978). The amendment, however, was subsequently dropped without explanation when the Senate substituted the House bill, H. R. 13553, for its bill. H. R. 13553 contained no provision comparable to the Melcher amendment.

pre-FCLAA leases differently from other pre-FCLAA leases at readjustment, I conclude that Congress in 1978 understood, and legislated on the understanding, that all pre-FCLAA leases that become subject to readjustment after August 4, 1976 must be readjusted to comply with the minimum production royalty provision of section 7(a), 30 U.S.C. § 207(a) (1976).

CONCLUSION

After reassessment of our prior advice that the 12 1/2 percent minimum royalty and other provisions of the FCLAA apply to leases issued prior to August 4, 1976 when they are thereafter readjusted, I affirm our original conclusions. Analysis of the legislative history of the Mineral Leasing Lands Act and its amendments in 1976 and 1978, and the import of lease readjustment leads to the conclusion that the Act as amended by the FCLAA governs the terms and conditions that the Secretary may impose when he readjusts pre-FCLAA leases. The only question then is whether Congress intended that particular provisions of the FCLAA apply to all leases, or only to leases issued after August 4, 1976. From the express language of the Act and from the legislative history, I conclude that the minimum 12 1/2 percent royalty and the ten-year production requirement are mandatory terms for all leases, including pre-FCLAA leases at readjustment.

Senator MELCHER. What is the reason for upping the amount of coal lease sales this year in the face of the stale, stagnant coal market?

Secretary WATT. We made a commitment, Senator, to make public policy decisions based not on expediency of the moment, but for the long term. The lag time in issuing a coal lease to getting coal to consumers, which is our objective, can be as long as 15 to 20 years, so we're not making decisions based on spot coal market issues of January 1983. We're looking 10 and 15 years into the future and we want to be sure there is energy for meeting the consumers needs at that time.

Senator MELCHER. There's a real question; take Powder River Coal for example. They started advertising there would be leases with coal in place, in rather vast amounts of tonnage. I think it was over 2 billion to begin with, and reduced it by the time the sale date came about. Now I see the proposed levels for 1984 on the Powder River Basin might be as high as 4.8 or 5 billion tons, almost 5 billion tons. Fifteen to twenty years in advance, I think you've used all those figures.

Secretary WATT. I have used all those figures.

Senator MELCHER. That seemed to be a tremendous quantity. No one to my knowledge is seriously working on opening that much coal in the Powder River Basin alone, in addition to what is also under lease, in addition to the sales completed last year. Isn't that a rather extreme figure?

Secretary WATT. That's a figure that will be talked about by the regional coal team on which the States of Montana and Wyoming have members and it will be worked out. I think in planning you ought to start talking about what the potential is and then make the modifications on environmental and market considerations. That's yet to be worked out.

Senator MELCHER. When you add up in the Green River-Hams Fork and Uinta-Southwestern and the San Juan River, you come up with quite a huge amount of coal that greatly exceeds any anticipated estimate of what might be utilized.

Are you saying you think these figures will probably be reduced?

Secretary WATT. Those figures will be worked out by the regional coal team in which the States play a key role.

Senator MELCHER. Since these figures far exceed any projected use, I'm asking again, is it your best judgment that they're going to be reduced?

Secretary WATT. Some of them will be adjusted.

Senator MELCHER. Downward?

Secretary WATT. I assume so because I would hope that they started with the maximum potential. I would hope that is where they started, in scoping the social impacts and environmental concerns. If they have not started their environmental and social impact statements in consonance with the maximum potential, I would suggest they are not doing the job properly.

Senator MELCHER. Have you got a Solicitor's opinion yet on this problem that seems to be developing for a person or a company that owns a coal lease that isn't in production? He might not be able to acquire an oil or gas lease or some other mineral lease. Do you have a Solicitor's opinion on that?

Secretary WATT. Is your question whether or not, they would be denied other mineral leases if they are not within due diligence on coal leases? I'm not aware of that.

Senator MELCHER. Is there some reason? Well, it's in the law isn't it?

Secretary WATT. I'm not up to speed on that point.

Senator MELCHER. Maybe we could be advised on that.

COST RECOVERY

Is there any reason to include in this budget recommendation some changes in the law to be accomplished through the appropriation process rather than coming through this committee and ask for changes in the law? That surely is not your intention.

Secretary WATT. We usually come to the Authorization Committee to change basic laws.

Senator MELCHER. On the question of royalty management, you are suggesting in this budget recommendation that the States have money deducted and also in case of payment in lieu of taxes, that the States have money deducted for those costs. Is it then your interpretation that you have the authority to levy these costs, or are you going to send us a bill on this? Or is it your interpretation that you'll have that authority under existing law?

Secretary WATT. We had not intended to come forward with legislation. The House version of the 1983 appropriation bill called for those conditions to which you're referring and we have incorporated that concept in our 1984 submission. We believe we have the authority to do that and responding to the initiative taken by the House committee, I think it's a good idea.

Senator MELCHER. You believe that the existing recently passed legislation on mineral management covers that or does not cover it?

Secretary WATT. It's silent on the issue.

Senator MELCHER. I think it's a little bit of a surprise to us. Now there may be some merit in both payment in lieu of taxes and payment in royalty collection. There may be some merit, but it's a surprise at least to me, and I'd like to discuss with other members of this committee at an appropriate time whether it should be covered that way. What would it cost the States?

Secretary WATT. We had those figures when we dealt with the 1983 budget, because as I say, it was in the House version and it was a subject of the conference debate. I don't have those figures but we can get them.

I'm being advised, Senator, if this concept were adopted it would be an across-the-board reduction of about $63 million that would be made available to the States.

Senator MELCHER. You take $63 million out of the kitty for royalty collection?

Secretary WATT. The cost of administering the royalty program is roughly $120 million. Well I'd better get help before I go into the figures here.

I think we ought to ask Joe Gorrell to answer that.

Mr. GORRELL. Senator Melcher, the proposal in the Minerals Management Service appropriation request that's before the Congress requests that we deduct $126,550,000 of the onshore minerals receipts before we make a distribution to the States which get 50 percent of the onshore mineral receipts, with the exception of Alaska which gets 90 percent; 40 percent goes to the reclamation fund and 10 percent goes to miscellaneous receipts.

The makeup of that $126,550,000 is as follows: For the Bureau of Land Management's payments in lieu of taxes program, our estimate is the same as the 1983 appropriation of $96,320,000. For the Fish and Wildlife Service payments program, we are requesting $5,760,000. Our estimate of the cost of administering the onshore royalty program by the Minerals Management Service is $24,470,000. Those are the three elements of the $126 million. And what the Secretary is saying is that if that $126 million is taken away from all the onshore mineral receipts the State portion would be reduced by about 50 percent, or about $63 million.

Senator MELCHER. In a way then this is a change, you're recommending that the appropriation for 1984 carry with it this language to make that deduction?

Secretary WATT. Yes, that would be a change.

Senator MELCHER. It would be good for 1 year. It seems like if it's valid you would want to make it clear in the law and ask this authorizing committee——

Secretary WATT. I think that would be healthy.

Senator MELCHER. You would send up a bill? I would like to have the issue squarely addressed.

Secretary WATT. We can handle it in several ways. We're not against that.

Senator MELCHER. Well it's you that determines whether you send us up a bill.

Secretary WATT. We're responding to an initiative of the Congress and we thought it was a good initiative.

Senator MELCHER. Do you think it's good enough to send us a bill on it?

Secretary WATT. If that would be well received we can do it that way as well. We've already done it through the budget process. We can go both ways.

Senator MELCHER. That's only good for 1 year.

Secretary WATT. It depends on how Congress works it. But the Congress ought to be making public policy, and that's your point of course. We can send up a bill if you'd like.

Senator MELCHER. Yes, I think that gives the States a chance to have their day in court before Congress.

Secretary WATT. That is a meritorious suggestion. I have met with your Governor on this very issue.

Senator MELCHER. If you're going to do it aren't you going to do it for Indian tribes?

Secretary WATT. Yes, we've proposed to do it there.

Senator MELCHER. They ought to have a day in court too, before Congress, should they not?

Secretary WATT. The Indian tribes, yes, we would do it there, and my recollection is that the Royalty Management Act that was passed by Congress did call for that reduction from the Indian revenues.

Senator MELCHER. I don't believe it did. Maybe we've got somebody here that can confirm.

Secretary WATT. We did recommend that and I'm told it didn't get passed. But we tried to do it.

Senator MELCHER. It was turned down, so now we find a reversal that will push it through the appropriation side.

I want to pursue this later on.

The CHAIRMAN. I might just say, it seems to me that we have a problem with respect to the various offsets under the several provisions of law. I think the proposal as developed in the House appropriations process, where they have never really understood PILT and have never really supported PILT, is on its head because what they're talking about there was minimum payments that would flow through to the units of Government in the absence of any economic return to the States otherwise. What we've done here, instead of offsetting these receipts against PILT, we're offsetting PILT against these receipts. I think that's just kind of, as I say earlier, stood it on its head. I think we may have to take a look at how those statutes relate to each other.

Secretary WATT. I think you phrased it well, Mr. Chairman. Just for purposes of clarifying the record, the subject was discussed with Governor Schwinden of Montana, Governor Lamm of Colorado, Governor Herschler of Wyoming, Governor Matheson of Utah, and Governor Babbitt of Arizona, and they supported the overall concept.

The CHAIRMAN. Thank you.

Senator Murkowski.

Senator MURKOWSKI. Thank you Mr. Chairman.

ALASKA

I wonder if I may be somewhat presumptuous to request that the staff turn the chart around that the Secretary has put before us.

The CHAIRMAN. You mean the Alaska chart?

Senator MURKOWSKI. Well the large chart that's over there on the right hand side of the room.

Senator Nickles and I are no longer freshmen on the committee and being of some seniority now we feel, or at least I do, a reasonable request because I would like to point out the significant amount of green that covers the State of Alaska.

The CHAIRMAN. You mean you want the people in the hearing room to see that.

Senator MURKOWSKI. That's what I had in mind. It makes a good case for the responsibility of stewardship that the Secretary of the Interior has. In addition to being green, it's one-fifth the size of the United States, has about four time zones in it, and if you overlay it, Mr. Secretary, we have some scale charts that show Alaska and an overlay of the United States as you know and I know, it touches Canada and Mexico and California and Florida.

I was particularly impressed with your recollection of the statement some time ago, and my recollection of your commitment towards independence for the Nation. It's my understanding when you came in as Secretary for the Interior we were importing about 41 percent of our crude oil supply. In 1982 that dropped to about 33 percent. And I'm advised the current rate for January 1983 is down to 18 percent.

Now we know this is due in large part to conservation measures that have been taken. The economy has been a major factor. But with your proposed lease sales that have yet to be felt as far as impact is concerned, do you feel that we can within a reasonable period of time, achieve substantially a greater degree of energy independence and perhaps total independence?

ENERGY DEVELOPMENT

Secretary WATT. I do feel that we can substantially reduce our dependence upon foreign sources, although I don't know that we will ever totally eliminate our dependence on foreign sources. We have made a significant shift in this administration. Mexico is a big supplier, Canada is a big supplier, and the United Kingdom is a big supplier. In 1975 we depended primarly upon the OPEC nations. Today we do not. It's a significant shift, and we need to continue that emphasis we have had. And when we began, we were dependent upon 50 percent of our crude energy coming across the high seas and that included, of course, Alaska. We're reducing that and we need to reduce it further. It makes us too vulnerable.

Senator MURKOWSKI. I understand that we imported as high as 10 million barrels per day in 1976 and we're currently importing about 2.7 million barrels a day which I think is extremely significant. Do you feel that your commitment toward energy independence for our Nation has sent any kind of a message to OPEC?

Secretary WATT. I do. I feel that our OCS program particularly, coupled with what we are willing to do with coal, on-shore oil and gas leasing, geothermal, and other resources, has sent a very strong impact to the OPEC nations that this administration and this country are determined to reduce its vulnerability to those foreign sources.

INDIAN SCHOOLS IN ALASKA

Senator MURKOWSKI. Mr. Secretary, there is a concern in our State about the proposed transfer of BIA day schools to the State of Alaska, and you have been most gracious in extending that period and recognizing the particular problems that we have. But I am concerned that in your proposed budget there are not the necessary funds for the additional operation of those day schools for the 1 additional year that we agreed the 20 schools would operate until the State was in a position to take them over. Perhaps my information is incorrect, but that's the cursory examination that we have had.

Secretary WATT. Senator, we will be supplying to the Appropriations Committees full details on the accuracy of all those figures.

ALASKA PARKS

Senator MURKOWSKI. Fifty percent of the national parks in the U.S. land mass are in the State of Alaska. One percent of the park budget for personnel is expended in our State. I understand in your budget you have $2.7 million budgeted for the National Park Service, reconstruction of the park headquarters. You are aware and so am I that many of the visitors that come in that park have stayed in reconditioned railroad cars because those are the only accommodations. The newer accomodations are always filled.

I'm wondering if that expenditure is really a priority matter, or if there are other areas in the park that money can perhaps better be directed.

Secretary WATT. We have tried to set priorities for health and safety features, to bring drinking water and sanitation facilities there, and we've worked out what I consider one of the unique situations with concessionnaires where they provide a lot of up-front money to bring about those facilities. The priorities that have been set, have been set by professional resource managers, and we've always given high priority to water systems, because of the health concerns. We hope we can develop the water systems and the concessionnaire can build the other facilities that the visitor could utilize effectively. I've talked about the moneys that we've made available with the assistance of Congress since we've been in office and how we have turned around past history. In addition we have already had a commitment of $200 million to capital investments by the concessionnaires in our parks. Denali was one of the lead parks in creating the new formula for that subject matter.

Senator MURKOWSKI. Mr. Secretary, in 1980 there were approximately 32 million acres of land in our State that were put into parks, and at that particular time those lands were open for hunting, within the State of Alaska. Our delegation has introduced legislation to reopen 12 of those 32 million acres and reclassify it from parks to park preserves which would again initiate hunting that had been traditional in these lands.

The State of Alaska has 93 fish and game biologists managing its fish and game. It's my understanding that the Park Service has seven biologists in the entire park system. One is located in Alaska, and quite naturally we feel the particular expertise we have in managing our fish and game resources within the ability of the sustained yield concept, we have better expertise to manage this resource than the Park Service. Would you care to comment on that?

Secretary WATT. Yes. I'm pleased to go public with this again. We have worked with Senator Murkowski and other members of the delegation on this legislative proposal. We support the proposal. We think that hunting is a legitimate wildlife management tool, a legitimate recreation. We support that. We have not come down on the exact delineation of boundary lines on the changes.

You mention the 12 million acres we support. I'm not prepared to say we support exactly the boundary delineations yet, but we support the thrust of your legislation. We expect that they will be controversial, but we don't shy away from doing what's right, just because it's controversial. So I commend you for the leadership you've shown on this subject and agree with you on the assessments of the State of Alaska's ability to manage the wildlife of that State. We found them to be extremely proficient, extremely knowledgeable, and very very good.

Senator MURKOWSKI. Mr. Secretary, I'd like to point out for the record that the State of Alaska entered the Union in 1959, at which time we entered into a contract with the Federal Government for conveyance of certain lands in the State of Alaska, and in that 25 years, up until 1980 when you became Secretary of the Interior, there were 39 million acres out of 104 million acres that were transferred to the State in 22 years. Since you've come in in the last 2 years you've transferred at least 34 million acres which I think is extremely significant, and you certainly have the thanks of Alaska. We feel that contract while made in good faith was being unduly delayed by the bureaucratic system.

Speaking on behalf of the Alaskan Native community, you have established the transfer of 40 million acres of land to a native community in Alaska and I think it's significant to note for the record, Mr. Chairman, Alaska is probably the only State that has established within its State system the cooperation with the Department of the Interior, in recognition of the official and original rights of the people. And today Alaska's Native community operates 12 profitmaking regional corporations. And the success of those corporations in no small way has been due to your commitment and diligence in seeing that those lands have been transferred from Federal domain to the native people of Alaska. And I commend you on behalf of the native people of Alaska.

I have no further questions.

The CHAIRMAN. Senator Nickles?

Senator NICKLES. Thank you.

INTERIOR REVENUES

The total amount of budget for Interior is $6.4 billion?

Secretary WATT. Yes. The mandatory portion did go up significantly. It went up and the discretionary portion went down.

Senator NICKLES. How much revenue do you raise through various means? Royalty, et cetera?

Secretary Watt. This year we anticipate being able to generate about $15 billion, $12 million of it coming from the Outer Continental Shelf. Next to the IRS we are the largest revenue producing entity in the Federal Government.

Senator Nickles. How does that compare to the previous year?

Secretary Watt. We had $14.4 billion estimated in 1983 with $15.2 billion estimated for 1984.

Senator Nickles. Do you have 1982?

Secretary Watt. Revenue for 1982 was $8.7 billion.

ENERGY RESOURCES

Senator Nickles. You mentioned, and I think the map illustrates quite well, the amount of land that you have. Do you happen to know the percentage of resources that you happen to provide, say oil, gas, and coal?

Secretary Watt. Yes. On one-third of the map there, the green areas, in addition to the magnificent parks and wildlife refuges and forests, we expect the wealth of those lands to generate 85 percent of all the crude energy yet to be found and produced and delivered to consumers in future years.

We expect to be able to generate 40 percent of natural gas, and this also includes the Outer Continental Shelf; 50 percent of uranium; 35 percent of coal; 80-plus percent of oil shale and 80-plus percent of tar sands. In other words, we have enough energy wealth in these public lands, on-shore and off-shore, to meet America's needs for thousands of years.

Senator Nickles. Those were percentages of what you would estimate would be in the future, not necessarily estimates of proven reserve?

Secretary Watt. Yes. That's correct.

Senator Nickles. Do you have those in proven reserves?

Secretary Watt. I think we can get those for the record.

[The requested information follows:]

PROVEN RESERVES

Resource	Total U.S. proven reserves [1]	Estimated reserves [2]
Oil (billion barrels)	36.5	[3] 16
Gas (trillion cubic feet)	209	[3] 26
Uranium (tons)	205,000	[4] 37
Coal (billion tons)	474	[5] 35

[1] Department of Energy (DOE) 1981 annual report. Oil and Gas includes onshore and OCS.

[2] On Federal lands as a percent of total U.S. proven reserves.

[3] Offshore Federal reserve estimates are from Minerals Management Services reserve inventory program. Onshore Federal reserve estimates are from Geological Survey Circular 860, 1981.

[4] Statistical data of the uranium industry GJO-100 (1982).

[5] Department of the Interior Bureau of Land Management final environmental statement, Federal coal management program, 1979.

Secretary Watt. The good news on that is last May 1982 we had a major sale off the coast of central California. We sold one nine square mile tract of salt water to give them the right to drill on it and they've hit a well out there. We sold that tract for $334 million so that they could gamble in spending several million dollars in drilling, and they hit. And other wells have gone down in the Santa Maria Basin and it's a world class field and we don't know how many billion barrels we'll have. We're hoping to push the Prudhoe Bay find of 9 billion barrels, and the company is not releasing figures and it's not fully defined. But it's an extremely exciting play and we expect other finds of that magnitude to hopefully be found in other areas. So the reserves are coming on.

Yesterday I met with some people from Senator Wallop's State on the overthrust area and on Federal lands, and there we have proved up new reserves of over a billion barrels of oil and I forget the numbers of natural gas, but there are some exciting things going out there.

If we unleash the private sector and put them under stiff stringent environmental protection requirements they can bring about the energy we need and protect the environment as well.

Senator WALLOP. If you'll yield for a second, we've had testimony in front of this committee in the past from CIA, in particular, and other doom sayers in general, there was never going to be found a new world class field. All of those have been found worldwide. This was in 1978-1979 and 1980. It was very gloomy testimony.

Secretary WATT. Since I've been Secretary, and I'm not sure there is any relationship to that, we've gotten two world-class fields in Wyoming, the East Ancheeks Ranch and the Santa Maria Basin, and I expect there to be many many more. That's why it is so wrong to make public policy decisions based on the expediency of the moment.

If we had followed the expert advice on Santa Maria Basin—our USGS was telling us that there was a potential of finding some oil there but it was not significant. And the critics say, well, it's only *x* hours or *x* days of energy supplies for America and so they turn it off, but you don't know until you drill and we cannot afford to ever again allow the U.S. Government to make decisions for future generations based upon the factual understanding of the moment. We must always have a pioneering spirit and have faith in the future, and that's what we're bringing about.

Senator NICKLES. OCS, what royalty will they receive on that?

Secretary WATT. They will pay principally one sixth, 16⅔ percent and some of the people in the frontier areas an eighth. And I might add, they are all under due diligence requirements as well. They must produce within the 5- or 10-year period as these things may vary.

Senator NICKLES. None of the revenues would be derived from the funds that you just discussed are on target for 1984. Is that a correct assumption?

Secretary WATT. That is correct.

Senator NICKLES. You were criticized by many for opening up, what, a billion acres on OCS? What percentage of that has actually been leased or is being considered for lease?

Secretary WATT. Two percent of it has been leased in the past before we assumed office. We will make available for lease almost the entire 1 billion acres over the next 5 years. I have no idea how much of it will be leased. In 1981 we leased 2.2 million acres and that's a record. That's an alltime record, so I would hope maybe we could get up to 5, 7, or 10 million acres. That's a very small percentage out of a billion acres.

Senator **Nickles**. I think there's an incorrect assumption by many that out of that billion acres there might be a billion wells or something.

Secretary **Watt**. It would be nice if that would happen, but it's unrealistic.

BUREAU OF RECLAMATION

Senator **Nickles**. Out of the, it looks like about a $400 million increase for Interior, about a little less than $200 million of it is coming before the Bureau of Reclamation. Could you give a real brief explanation of the increase?

Secretary **Watt**. Yes. We feel that serious water problems will be experienced in the coming decade because of the failure of Federal and State Governments to build the necessary storage and delivery capability. Last year we tried to bring about a huge increase and we were not successful in getting that through Congress. This year we've come right back and asked for a 26-percent increase in construction activities in the Western States to see if we can't meet the needs of the people of those States in the coming years. This will allow us to continue construction on 73 projects. We would like to have additional moneys for the 10 new starts that I announced last year. We need to have new starts, new aggressive programs, if we're going to meet peoples' needs. I see a tremendous problem in every region of the country in the decade of the 1990's because of water shortages. It shouldn't happen.

INDIAN EDUCATION

Senator **Nickles**. A couple of comments. One, Senator Murkowski mentioned, the Indian schools in Alaska, and I understand there are about 10 schools that will be transferring over to the States in another year. As you are aware, there is a school in Oklahoma, Concho, there is also Intermountain and Wahpeton. Can you tell us the future of those schools?

Secretary **Watt**. We're hoping those schools will be transferred as well so that we can improve Indian education opportunities. In too many communities schools are looked upon as a source of employment rather than as an opportunity for education. And we think Indian education needs to be improved considerably and we're not satisfied with the standard of education provided at those BIA schools in general and the boarding schools in particular. We hope that we can convince Congress this year with statistical data that those children will be much better off if they're sent to other schools, to the public schools, or to better utilize the existing schools. Overall our Indian schools are 30 percent under level population. We don't have the best education facilities which the Indian people are entitled to.

Senator **Nickles**. Those schools in your planning are going to be closed at the end of 1982, 1983?

Secretary **Watt**. We would be asking Congress to make those conditions so that in the spring of 1983, we would make arrangements for those children to get a better education in other school facilities.

Senator **Melcher**. Would you yield?

Are you providing in the budget in the appropriate place any portion of a dollar per dollar setoff, and are you providing a dollar per dollar setoff in any other part of the budget to pay for the cost of education?

Secretary **Watt**. We feel that we have adequate money to pay for a better education at another location.

Senator **Melcher**. Under what category in the budget?

Secretary **Watt**. I'm being advised that the way the funding levels were derived, we assumed the transfer would happen and provided the money for it in another account.

Senator **Melcher**. What category of the budget?

Secretary **Watt**. In Indian education.

Mr. **Gorrell**. Senator Melcher, the funds are in two places. One is in the operation of Indian programs, which is the overall account in the Bureau of Indian Affairs. It would be in the Indian education activity. There are also funds under management and administration where there is operation and maintenance for those facilities.

Senator **Melcher**. How much is provided?

Senator **Nickles**. I might follow up. For example, at Concho School in Oklahoma we have 137 students I'm advised. The number vascillates to some degree. But it's your intention that either they would be educated in a public school or transferred to another Indian school?

Secretary **Watt**. That is correct.

The first priority is to provide a better education for that child.

Senator **Nickles**. All those schools, the three that I mentioned, were boarding schools.

Secretary **Watt**. Yes; they take the Indian children off the reservation, away from their families, and put them in these educational institutions. You see, I really don't believe in Government schools. I believe in public schools. The record is there. That children are taken from the home or their community when some of them don't have homes since they're orphans or come from other difficult situations. To remove them from their community and to put them in a different environment and to institutionalize them in a school is not always the best solution.

Senator **Nickles**. For the youngsters that have no home, maybe a broken home or would not be received at home, then will the Bureau or your Department be working with our office and others to insure that we can find a good environment and school for these children?

Secretary **Watt**. Absolutely, and we would have the program developed for each child.

Now one of the problems that some of the Members of Congress have raised is that you must have the plan for each child prepared before we will address the problem. That's a chicken and egg situation. It's impossible to deal with because the superintendents, the teachers and the community are so determined that they can turn any efforts around because they look at it as an employment opportunity rather than an educational experience. So they're satisfied that they can put enough heat on Congress to keep us from changing the situation. It's proved to be totally impossible to work out alternative education situations for those children. And if we could really announce the school would be closed at the end of this year, we have 6 or 7 months and they could believe it. We would then go in and improve every single educational opportunity for those children. But as long as the superintendent and the teachers say, "Don't worry about it; we'll keep our jobs here and we'll keep these children in this institution, no matter what," we can't get the parents or the guardians to face up to another alternative.

Senator NICKLES. Mr. Chairman, if I might ask one further question.

BIA REORGANIZATION

You've been misquoted recently concerning your opinion of Indian reservations and BIA et cetera. I personally am aware of your efforts to give or grant or have greater control to many of the tribal leaders, and the Indian community have more control over their function and their lives, and I compliment you.

Recognizing that, I think that you have recommended some reorganization or consolidation under the Bureau, the Bureau of Indian Affairs. Could you give us the status of that? I'm thinking like in our State where we have two area offices, one in Muskogee and one in Anadarko—what the status of that might be.

Secretary WATT. I have visited many of the reservations. In fact I was the first Secretary of Interior to ever go to your State of Oklahoma and go to the Cherokee Nation. I met with all of the chiefs of the tribes and visited on the land, both the Osage reservation and the Cherokee land, when I met with every tribal chief, I heard a plaintive, sad call. They talked repeatedly about the abuses that the Government, the BIA, had imposed upon their people. They cited case histories, and I believe them. And I think that in its 100 years of history the BIA does not have a successful record. I think it's a failure. I think the Indian leadership that I've met in Oklahoma and the other States is able, and there is some tremendous talent that will get the oppressive hand of Government off their back. We have made tremendous movement to contact those tribal leaders to provide better opportunities for their people.

I have heard a continuing complaint about the bureaucracy at that meeting at Talequah and at the other meetings I've had with the Shoshones and the Arapahos in Senator Wallop's State. Also, I was the first Secretary of Interior ever to go to the Navajo Reservation, the largest Indian reservation in America. It had never been visited by the trustee of their own lands or their own people. They pled with us, "Mr. Secretary, reduce the overburden of the BIA; get rid of too many layers of bureaucracy. Let us manage our people." I have faith in the Indian leadership. I'm offended by oppressive and excessive Government and so we sought to bring about a reorganization. We have 12 area offices. We tried to reduce that to six. Frankly we didn't get approval to do it.

Congress did cut those funds and, fortunately it was a good move, and compliments again to the chairman on that issue. But excessive BIA regulation of those people has thwarted their opportunities for social freedom and economic liberty. I have more faith in their leadership than I do in the Department of Interior's leadership of the Indian country.

Senator WALLOP. Mr. Secretary, I compliment you on the report you have prepared. If there are souls of good faith out there who are indeed interested in what has been going on that they will find much to be reassured about in the record. I suspect there are some that no matter what is accomplished, would never find it satisfactory.

NATIONAL PARK SYSTEM

Let me ask you first about the national park system, because when you came it wasn't only your and the administration's assessment of the condition of the national parks, but there was a GAO report which was far more drastic than anything that the administration or the committee or anyone else had.

How would you characterize the progress in restoring the health and safety, and maintenance within the parks?

Secretary WATT. We are delighted with the progress. The progress reports that I get from the superintendents and the regional directors and Director Dickenson is most rewarding and satisfying. The progress reports I get from the visitors is thrilling. I don't always quote the GAO and what they say, but at least they have a report out that says they have visited 12 of the parks and they were extremely glad of the progress that has been made in these past 2 years.

Senator WALLOP. Your funding requests and the committee's aggressive support of those and the enhancement of them have been helpful I hope. You've had some other ideas. In your letter to the President this year on national parks you mention using gift catalogs. Have you had any response?

Secretary WATT. Yes; it's been an extremely satisfying role for me to play to watch the American public rally behind the beautiful park system that we have and to recognize the need for stewardship.

As I mentioned earlier, the concessionaires have already put up $200 million in capital improvements and the volunteers in the parks have also moved aggressively. We put together a catalog for the Santa Monica Recreation Area and said what we needed. We said we needed help with this and that and, corporate America and individuals have given fascinating gifts to the national park system. It helps them to feel an identity with the parks. If we could establish in the public's mind the concept that this is their park, it would not only reduce the commitment of the Federal Government to invest in it, but we could cut down the vandalism. It is awesome to see how much money we spend just to repair the damage. So if we could create a new spirit in America that this is my land, this is my park, I think we could gain two or three things. We see evidence that this new commitment to restore the parks and provide the facilities is a whole new spirit of professional management and we think it's becoming evident with the visitors as well.

Senator WALLOP. Can an individual or corporation or entity provide a gift for the park and yet get singular recognition for that gift? Is there any prohibition against that within our parks? Memorializing somebody?

Secretary WATT. No; there is not. In fact I think we ought to aggressively pursue that. There are several visitation centers that I would like to name in honor of a late, great lover of national parks. I think that would be great. If his estate would give us $7 million to build some of these facilities, we'll build a boat ramp in honor of some great fisherman. I think we ought to promote that program.

Senator WALLOP. I compliment you on that and other initiatives to attract private sector support. Partly because it saves the taxpayer, but most significant because of the involvement in the system that we have which I think is better than the old standard that was operated on in the past.

One of the little noticed yet quite significant portions of the gas tax bill that Congress approved 2 months ago is the $750 million that provides construction and improvement of both park and Indian roads over the next 4 years. It's an ongoing park restoration improvement program as well as the efforts that you have made toward improving the infrastructure of the reservations. Can you just sort of capsulate what this change will permit you to do?

Secretary WATT. We have had to defer construction on road programs in the parks and on the reservations and put money to higher priority use, and yet that is not a good decision in the long term. This will allow us to increase the road construction and repair accounts in the park service to $75 million this year and to $100 million next year. And this will allow us $100 million in 1984 for Indian reservations, and it will allow Indians to have transportation to get to better schools, to get to jobs, to have better hospitalization, and to have many other enhanced opportunities. For too long we just tried to act as if it wasn't a social program, but we've got to have good transportation systems if we're going to have a society that really works in this day. So I think that this program that we were able to get Congress to adopt will allow us to bring the Indian country forward by leaps and bounds in all dimensions of social life. It will also help us to better protect the natural resource base of the national park system, and our primary objective must always be to do that which protects the resource base as we plan for people. I think it's delightful to get this kind of money, particularly taken off budget, to free up that $100 million for other park and Indian priority issues that we would have had to dedicate to roads.

RECLAMATION PROJECTS

Senator WALLOP. I note the level of support that's in the budget for the ongoing development of the Buffalo Bill Dam project both this year and next year. As you know, because you were so helpful to us in establishing it, that is a joint Federal-State project; and the first project of its kind. Do you anticipate that future water storage projects—that is, conservation storage projects—will follow a pattern similar to that?

Secretary WATT. Yes I do. Your State of Wyoming has shown a great deal of vision on that. We appreciate the good report we have received. We think there is going to have to be a more aggressive approach to project cost sharing than we've had in the past. In the reclamation program, we've always had cost sharing, although some of our friends from the Eastern States aren't familiar with reclamation and don't understand how projects are repaid. But we've always had 100 percent repayment, with interest, for municipal and industrial water from reclamation facilities. We've had 100 percent repayment on reclamation power, with interest. On irrigation, we've had repayment without interest. The bill that you folks brought through Congress last year on reclamation reform brings us higher irrigation repayment—more cost sharing—and I think that is definitely the trend. I expect we will see more cost sharing at a higher rate. The exact proportions will be worked out on a case-by-case basis as we propose future projects to you.

I have asked the Governors and the water interest groups to comment on the cost-sharing formula. Their views should be back to us in the next month or so and I hope we will be able to announce a formula publicly very soon. A cost-sharing formula would be the financial basis on which we could make recommendations to the Congress for new project starts. Cost sharing will have no impact on projects that have already been authorized by Congress, and Congress will work its will on what the ratio of cost sharing should actually be. We think cost sharing will bring about better public policy.

Senator WALLOP. It would make good sense to work that out on a project-by-project basis because there will be a different balance of interests in each project. I would hope that we might be able to work on some legislative adjustment to the cost-benefit ratios because it does not seem fair to me to include in those a State's contribution to a project. A State might find cost benefits or benefits that don't fit our formula but which the State wishes to invest in for the future according to its own long-term planning needs. Therefore, a State might not care to get mixed up in a Federal formula that was devised to apply a single yardstick for all project benefits, such as water supplies and recreation benefits. We can find some fair means of allowing a State to make its own judgment on its own share of project costs. I think we would have a little better and more equitable means of making those determinations.

Secretary WATT. I would like to respond positively to that and emphasize the point that you are making because I think it affects Montana, and Idaho, and Wyoming particularly. When we get into the Upper Basin States, we find that historically the lands were taken under the Pick-Sloan program. Good valley lands—irrigated lands—were taken for flood storage reservoirs primarily to benefit downriver communities. And in the forties and the fifties, when the Pick-Sloan lands of Montana, the Dakotas, Nebraska, and Wyoming were flooded, the promise was made and assurances were given that as soon as health and safety protection was assured for the downstream people. Reclamation projects would be built to make up for the lands that were taken. That was a clearly understood political agreement, and it won the support of the Congressional delegations at that time. And now with the passage of time those commitments have been ignored and forgotten—particularly as they relate to the Dakotas, in my judgment. And I think to put a uniform cost-sharing requirement on Wyoming and New Mexico, equal to what might be required in North Dakota or South Dakota isn't fair. I think Congress must look at each new project proposal on an independent basis, and I think the administration will do that too.

Senator WALLOP. I have other questions which I will draft and submit to the Secretary dealing with the BLM and the Minerals Management Service.

The CHAIRMAN. Senator Bradley?

FOREIGN INVOLVEMENT IN MINERAL LEASING

Senator BRADLEY. Thank you. Under the Mineral Leasing Act of 1920 a citizen of a foreign country may not own an interest in mineral lease on U.S. public lands if the foreign government denies similar and like privileges to citizens or corporations of the United States.

Now in December 1982 you made a preliminary decision that Kuwait is a reciprocal nation under the Mineral Leasing Act of 1920. Could you tell me when do you expect to make a final determination of this issue?

Secretary WATT. I expect to make a final determination within the next 30 to 40 days.

Senator BRADLEY. Would it be possible for you to provide the committee with any documents or correspondence that lead to this decision?

Secretary WATT. We'll be able to make some of that information available to you after the decision has been made.

Senator BRADLEY. If I could explore your thinking a little bit, it's my understanding that mineral development within Kuwait is limited to the Kuwait Oil Co. which is 100 percent owned by the Government of Kuwait. In other words there is no opportunity, absolutely no opportunity, for an American citizen to invest in mineral development within Kuwait.

In view of these facts, could you tell me how you could possibly find Kuwait as a reciprocal nation under the Mineral Act of 1920?

Secretary WATT. I'll have to defer answering the question. If I answer the question here, I will have pre-empted the legal requirement that I resolve the status of Kuwait under the Mineral Leasing Act. You'll see the answer to that question when the final paperwork is signed off.

Senator BRADLEY. You can't give us an answer to that today, so depending on your ultimate decision you will either justify it or you will say that it does not qualify, is that correct?

Secretary WATT. That is correct.

Senator BRADLEY. In October 1981, the Government of Kuwait bought the Santa Fe International Corp., which as you know, is a California-based drilling operation. The acquisition was startling in that the price of the lease before on the market per share was $24 and the purchase price that Kuwait bought the company for was $51 a share. Have you ever spoken to any member of the board of directors of Santa Fe International about the lease?

Secretary WATT. No; I have not.

Senator BRADLEY. You have never spoken to any member of the board of directors concerning the lease of public lands to Santa Fe International?

Secretary WATT. I'm not aware that I have.

I'm being advised that I spoke to a Minister of Energy of the Government of Kuwait. I don't know if he's on the board. That was some time ago.

Senator BRADLEY. You spoke to the Minister of Energy in Kuwait?

Secretary WATT. He came to my office.

Senator BRADLEY. When did he come to your office?

Secretary WATT. Last fall.

Senator BRADLEY. To specifically discuss the leasing of public lands?

Secretary WATT. I don't think he did. It was just a general discussion on policies and particular interests and whether we would stay the course in aggressive efforts to reduce our dependency on energy exports from his nation and other nations.

Senator BRADLEY. Other than the Oil Minister, you have had no contact with any American member of the board of directors?

Secretary WATT. I don't even know who the members of the board of directors are.

Senator BRADLEY. You wouldn't know who talked to you about possible reciprocity provision?

Secretary WATT. I have not discussed reciprocity with any member of the board of directors of Santa Fe.

Senator BRADLEY. You will make this decision within 30 days?

Secretary WATT. Yes, in 30 or 40 days.

Senator BRADLEY. At the end of which you will provide the committee with the rationale for the decision?

Secretary WATT. Hopefully it will be within the decision.

Senator BRADLEY. Let me ask you if you could just continue a little bit longer with your possible rationale.

Secretary WATT. I will try to avoid the question.

Senator BRADLEY. How could a corporation that was 100 percent owned by a foreign government that excluded any U.S. participation qualify under the law. How could it? I mean, you might not make that decision but your counsel is there. What would be the argument for it?

Secretary WATT. There are some legal precedents for it and that is one of the problems we're looking at.

Senator BRADLEY. What are they?

Secretary WATT. In the British situation there is the contorted reasoning of a lawyer and that's one reason I've held back a tentative decision that was made by others in the Department. I can't remember the year but——

Senator BRADLEY. You mean the decision wasn't made by you? You said it was made by others in the Department. You mean recommendation from others in the Department.

Secretary WATT. That's right. When Britain nationalized the coal industry, the Deputy Solicitor's opinion, said that because no British citizen could invest in coal mining properties in England, Americans were given equal treatment to the British citizens. Therefore, there was no discrimination against Americans vis-a-vis the British and, therefore, there was reciprocity.

Senator BRADLEY. Now by that analogy——

Secretary WATT. Let the record say that is not a Jim Watt decision. That is not a Reagan administration decision. That was a decision by the Department some time ago, but I have those kinds of problems and I hae got to work through them. But I'm answering your question, as to how you could get to that reasoning.

Senator BRADLEY. What you ought to be careful of though, if you go that route, is to make sure that you don't provide the rationale for access to U.S. public lands by a great many other countries that I'm sure you would have no desire to provide access to U.S. public lands, even such countries that would have more state-controlled apparatus than Kuwait.

Secretary WATT. Your admonition and concern are well expressed and understood.

Senator BRADLEY. Thank you Mr. Secretary.

The CHAIRMAN. Thank you Mr. Secretary.

Do you have further questions Senator Melcher?

Senator MELCHER. Yes, I do.

The ticklish part of this line of questioning of Senator Bradley should be pursued. Prior to the time that the negotiations were evidently going on between Kuwait and the Santa Fe officials, prior to the time of the purchase of the stock of double what the value had been the previous week, and that was in October 1981, had Santa Fe officials of any category representing the company approached the Department of the Interior on the status of the leases that they hold or they held at that time should the company be purchased by Kuwait?

Secretary WATT. I'm not aware of any. Assistant Secretary Robin West has had the lead on that in the early stages.

Mr. WEST. It's my understanding that the State Department contacted the Interior Department about the reciprocity question.

Senator MELCHER. At the request of Santa Fe?

Mr. WEST. No; I think at the request of the Kuwait Government, and I am unaware of any inquiry to the Interior Department specifically on Santa Fe leases.

Senator MELCHER. Kuwait approached the State Department?

Mr. WEST. Right, on the general question of reciprocity.

Senator MELCHER. Just on that question?

Mr. WEST. Yes Sir.

Senator MELCHER. Therefore would there be a likelihood of those leases still being valid? Is that the question?

Mr. WEST. I think that's the general question.

Senator MELCHER. I recognize that as being rather ticklish ground, particularly since the Secretary hasn't made his decision on whether or not there is reciprocity. But would it not seem entirely prudent to pay two to one to the company if those leases were not going to be good?

Secretary WATT. We shouldn't speculate on what the marketplace does. The marketplace does what it wants to.

Senator MELCHER. I think you can speculate on this because it's a very ticklish point. It's a question of judgment on whether the value that was being offered would have ever been offered if they did not accept the fact that the properties of Santa Fe would be part of the deal.

Mr. WEST. Senator, I am advised that it was after the purchase went through that the Federal leases of Santa Fe International, the on-shore leases, were worth a grand total of $9 million out of the total purchase price of $2.5 billion.

Senator MELCHER. What do you mean $9 million? How do you determine what the value is?

Mr. WEST. This is the valuation provided by the company.

Senator MELCHER. They're unproven aren't they?

Mr. WEST. I have not looked into how——

Senator MELCHER. How many leases do they have?

Mr. WEST. They have an interest in a small number of leases on shore.

Senator MELCHER. How many off-shore?

Secretary WATT. Robin West keeps saying on-shore because it's an interesting situation. There are no legal prohibitions for a foreign interest acquiring off-shore leasing interests at all. It's only that narrow sliver of on-shore.

Mr. WEST. The Mineral Leasing Act covers on-shore leases. There's the OCS Land Act that covers off-shore leases.

Senator MELCHER. I'm inquiring——

Senator BRADLEY. There's no such provision in the OCS Lands Act, no reciprocity?

Secretary WATT. That's correct. Any foreign company has a right to come in and bid on the OCS activities.

Senator BRADLEY. And then it's up to your determination as to whether they should get it?

Secretary WATT. No, it's a competitive bid situation.

Senator BRADLEY. So you have basically a disparity between the Mineral Leasing Act and the law governing the off-shore.

Secretary WATT. That's about the way everything is in the Department of the Interior. There's one set of laws for this and one set of laws for that.

Senator BRADLEY. Do you think we should amend the OCS Lands Act so it's consistent with the Mineral Leasing Act?

Secretary WATT. I brought this to the attention of the Cabinet group and the administration is looking at the whole area because there are no laws on the books that Congress has passed that would prohibit any acquisition by any interest in corporations for any activity in America, and we're looking at that total broad picture, not just this issue. So yes, we need to look at the whole issue. We're not ready to make a recommendation as it would relate to the different dimensions of our economic structure.

Senator BRADLEY. Could you say what led you to the point where you would give a preliminary decision? I mean we have for the State Department, the exchanges that have been made available to the committee that say essentially that you have an attitude, a sympathetic attitude toward affirmative determination. That's State Department language.

Secretary WATT. Do we have to defend the State Department?

Senator BRADLEY. You also made a preliminary positive determination. What is the rationale for the preliminary determination?

Secretary WATT. There is a presumption that all countries are reciprocal because we believe in free trade, free market activity. So that is a presumption under which we approach all of these issues, whether it's Canada or Sweden or any of the other countries that we deal with.

Senator **Bradley**. Even if the Kuwait economy is clearly not reciprocal? I mean it's no more reciprocal than, it's probably less reciprocal than, for example, Poland.

Secretary **Watt**. We'll make those decisions and announce them within the next 30 to 40 days.

Senator **Melcher**. I'm still asking about the $9 million on-shore. Whose value was that?

Mr. **West**. That's provided by the company.

Senator **Melcher**. But it's unproven.

Mr. **West**. I honestly don't know if it's proven or unproven.

Senator **Melcher**. In the off-shore, what are their holdings off-shore?

Mr. **West**. The estimate is $25 million.

Senator **Melcher**. No drilling? There has been no drilling in any of the off-shore leases?

Mr. **West**. I don't know.

Senator **Melcher**. I would assume at the time you make your decision that all this information will have been looked at very carefully and——

Senator **Bradley**. Will the Senator yield just for one more comment?

The company was bought for $2.5 billion and you're saying they assessed their on-shore leases at $9 million and their off-shore leases at $25 million which means $35 million of the $2.5 billion can be accounted for by leases.

Secretary **Watt**. Of Federal lands.

Senator **Bradley**. Do they have other leases valued?

Secretary **Watt**. Apparently they have other leases and business worth $2.5 billion.

Senator **Bradley**. Apparently there is a big disparity there. They're expecting a big operation in the non-Federal lands oil business.

Secretary **Watt**. Santa Fe International clearly does have that now. So if we make a decision saying that the Kuwait Government is not reciprocal, it will not nullify the sale at all. It will simply require divestiture of their holdings and prohibit them from acquiring other on-shore mineral leasing assets on Federal lands. Let's make that clear. This is only on Federal lands. under United States law, they can acquire mineral leasing interests on private lands, Indian lands, State lands and off-shore lands. So what we're talking about is just a very small sliver of assets.

SALE OF OIL TO JAPAN

Senator **Melcher**. Mr. Secretary, are you involved in the administration's discussion of possible sale or swaps of Alaskan crude oil to Japan?

Secretary **Watt**. I am.

Senator **Melcher**. What is your thinking on that?

Secretary **Watt**. I will be consulting the President and other Cabinet members on that subject matter and a decision will be made at the appropriate time.

Senator MELCHER. Have you thought it through, whether you want to advise the President to be, your best recommendation to do so?

Secretary WATT. We addressed that during the last Congress and I recommended, as did others, that we not come forward with legislation during the last Congress and the President accepted that recommendation and made that decision. It is now up for reconsideration, as is every other issue because of the expression of the Japanese interest and it is under debate at this time.

Senator MELCHER. It's quite a contrast to be talking about reduction on reliance on imports. This would be a step toward more imports, would it not?

Secretary WATT. There are all kinds of scenarios. That's one possibility. Another possibility is that it would increase the imports from Mexico as we traded Alaskan oil for Mexican oil, but it's still imports. The answer is yes, until we better improve our capability to reduce those imports from OCS and on-shore activities and coal and geothermal and nuclear activities. That's why it's so important that we not be so vulnerable.

Senator MELCHER. It would be a barrel for barrel? Sold a barrel to Japan or swapped a barrel?

Secretary WATT. I assume not; the dollar would be the medium of exchange.

Senator MELCHER. It just means more barrels imported?

Secretary WATT. Not necessarily. I don't know how the economics would work, but the transportation factor of oil, the transportation costs would——

Senator MELCHER. We can probably assume that we purchased as much oil from Mexico as is available to us.

Secretary WATT. I don't think that's a fair assumption.

Senator MELCHER. Last time I checked that was true. We purchased all that was available to us. We had other commitments on other sales to other countries, so if we increase, if that circumstance was just the same, we're going to be increasing our imports, perhaps from Saudi Arabia, the Emirates, or Libya. We're not talking about any difference in transportation. We might save some difference on transportation from Valdez to Tokyo for instance on the Alaskan crude, but that's going to be made up on an import of oil.

Secretary WATT. We wouldn't do it if the legal authority wasn't there and that's an act of Congress, and the administration has not made a recommendation. So assuming there were the legal authority, it would be an act of economic advantage to determine which of those scenarios might be the case. I simply haven't focused on it. It's the marketplace that will determine which forces push the oil which way.

Senator MELCHER. You focused on it last year.

Secretary WATT. I did.

Senator MELCHER. And you made a determination in our best interests not to do so.

Secretary WATT. That was my recommendation.

Senator MELCHER. I would encourage you to continue to make that recommendation. If you were correct then, and I think Congress has been correct each time a decision has been brought up. I hope we remain consistently correct.

Senator **Bradley**. Since you make the recommendation let me also urge you to make a recommendation by reversing your preliminary decision on the Kuwait lease. I hope in 30 days that we will find that that lease has not been given and that you state in clear terms the reasons it's not in our national interest to do so.

INDIAN EDUCATION

Senator **Melcher**. Mr. Secretary, you made a general response or rather specific response on educational matters when you drop these boarding schools from eligibility for the money available through the Department of the Interior. I'm a little bit curious, when you talk about these students going into public schools whether or not you're not really going to be providing funds or a portion of them through impact aid and perhaps all of them through impact aid.

Secretary **Watt**. We are asking for sufficient moneys within the BIA budget to handle those needs.

Senator **Melcher**. You said public schools. It's a little bit confusing when your impact aid is going to the public schools for part of the Indian students.

Secretary **Watt**. We have the Johnson-O'Malley funds that are made available for helping public schools to handle the education of the Indian children.

Senator **Melcher**. I know that. The O'Malley funds are already assigned to various public schools.

Secretary **Watt**. We think we are asking for adequate funding there and we will be expected to carry——

Senator **Melcher**. In other words, whatever Johnson-O'Malley or impact aid funds or whatever, they will be available and it won't be taking another slice out of the same pie?

Secretary **Watt**. We will carry the burden, and justify to the Appropriations Committee that there are adequate funds to give improved education to these Indian children.

MINERALS MANAGEMENT

Senator **Melcher**. There are a couple of points we may be able to clear up rapidly. The Secretarial Order No. 3087, which dealt with the mineral management functions of the Department of the Interior, was issued prior to the passage and signing into law of the Federal Oil and Gas Royalty Mangement Act of 1982. Now there is some concern that we're getting into areas there, first of all what functions the BLM would have on Indian Reservations. If you're going to have, if you're going to really divide this, Mineral Management Service will do the auditing, but BLM will do the inspection. Won't that have to be revised? Because it seems that we wanted that kept together in the Royalty Management Act.

Secretary **Watt**. It is split at this time as we work out an arrangement that will be satisfactory to the Indian tribes.

Senator **Melcher**. No, let's just talk about it in general first. If we're going to have BLM doing the inspection and then another level, how do they coordinate Minerals Management just doing the auditing? How do they coordinate?

Secretary WATT. The BLM will take the responsibility for the physical inspections and observations. We will have implemented a Production Auditing and Accounting System that will coordinate sales with production records. This has never been done. We're pioneering a whole new concept for the Government.

Friday I will be dedicating the Auditing and Financial System. The Production Auditing and Accounting System will come on later and it will correlate sales figures with the production figures to see that there is a proper relationship.

Once you have established the security of the production facility through the BLM inspection program, then it's just a question of correlating sales with revenues and we think we can handle that through memorandums of understanding between the two entities.

Senator MELCHER. One of the recommendations of the Linowes Commission as I understand it was to get this coordinated. Now it seems to me you've got to have memoranda of understanding between two groups. Are we accomplishing that goal?

Secretary WATT. The Linowes Commission recommended putting royalty management under one head. In fact the primary objective was to have an office of royalty management and I've gone much farther than they went. I've incorporated and consolidated much more than their recommendations addressed in an effort to bring about more efficiency. We think the system will work. We know it will work much better than in the past and we think we can affect it in a good way.

Senator MELCHER. I wish you all good speed on that. I know it's been troublesome for the Department for years and it's been a concern of yours since you've become Secretary.

In regard to the Indian tribes, how will that be handled in the function that BLM is to carry out under this Secretarial Order?

Secretary WATT. With regard to the Indian tribes, we will work that situation out and we have not transferred anything as of the moment. BLM will continue doing what they've been doing as we work with BLM, the Bureau of Indian Affairs, and the tribes to work out a satisfactory arrangement. We have created an advisory panel to assist on that and they met last week. We have two of the outstanding leaders from the Wind River Reservation and they will be helping us to bring about the management of that issue on the Indian Reservations. It's yet to be worked out but we're cranking in the tribal representation in the process. We're not just going to do it here in Washington and force it on them. They will be involved in that process.

Senator MELCHER. I notice in your statement that you mention a little over $4 million would not be spent because of cancellation of some of the contracts that were taken in devising this computer system for royalty management.

Secretary WATT. The $4 million is for contractor support to start the system and to get it underway.

Senator MELCHER. That is a request?

Secretary WATT. Those are 1983 funds that we don't need in 1984.

Senator MELCHER. That's probably it.

Secretary **Watt**. We have a heavy up front investment in this computer system for both the Accounting and Finance System and the Production Accounting and Auditing System. We'll have that behind us in 1984.

Senator **Melcher**. What has been done? I assume you're trying to wade through this GAO report dated January 27 of this year suggesting that Interior Department should solve its royalty accounting problems before implementing the new accounting system.

Secretary **Watt**. I have read the summary of that myself. MMS is reviewing the details of it. I've chosen not to follow their advice in this instance. We're going to go ahead and implement the system. There will always be bugs to be worked out of any computer system that you would adopt, but we need to get underway.

As you pointed out, in past years this program could have been costing us hundreds of millions of dollars. Let's get under way. We will have bugs at any time. A similar review could still find problems if we waited 6 months, 12 months, or 2 years. There will always be more that you could do to perfect the system. Let's get under way and start trying to perfect it as we go.

Senator **Melcher**. I have not been an advocate of rushing into this computerized systems since I don't know much about it, I've been very cautious about it even in my own thinking, let alone in any recommendation on whether to pursue that with respect to what's going on out in the field.

Secretary **Watt**. It's too late to consider that. We're deep into it with millions of dollars appropriated and spent. It's going to work. We've called in all the experts of our Inspector General's office. We've had the Linowes Commission people looking at it. By the way they meet for an anniversary meeting next week, on Thursday and I'll be with them. Dr. Linowes has gone out to Lakewood on several occasions. Candidly and bluntly, I'm taking the advice of Dr. Linowes, our Inspector General, and our MMS, and following it. I'm not following the GAO report. I think they just aren't up to speed on this one.

Senator **Melcher**. These questions were raised by the General Accounting Office during this process using their usual tactics, their usual methods. You're familiar with why they're raising and you have responded to them before they issued their report. Are you telling us now, I assume you're telling us now, that you are taking that into account?

Secretary **Watt**. That is correct.

Senator **Melcher**. And that whatever might or might not have been wrong previously, based on the report you are examining all their suggestions carefully and will take them into account before the final system is in place. I know this goes in stages, but before the royalty accounting system is really put in place and the computer data is finally ironed out, you will have gone over and reviewed and accepted any valid suggestions that you find?

Secretary **Watt**. That is correct, but we have not stopped this process of inputting into the computer system and it will go on line. In fact, I think it's already on line. In spite of the GAO recommendation, we're not holding up things. But we will study and evaluate the recommendations and if they have any validity, we will make those adjustments later.

Senator MELCHER. The current appropriation or the request by the Department for funds this year, I believe, is $43 million for MMS. What are you spending for MMS this year, including any functions taken over by MMS in relationship to what you are requesting for this next fiscal year?

Secretary WATT. The appropriation for 1983 for discretionary spending of MMS is, I believe, $196.5 million, and includes about $34 million for functions which are being transferred to BLM, which is one of the points you were making earlier, because we've consolidated on-shore minerals management. That plus program changes puts our request for 1984 at $155.5 million for the operation of MMS. In addition to that, of course, they will be responsible for making the mineral leasing payments to the States and so the total figure is going to be about $500 or $600 million more than 1983. But I'm responding to the operations of MMS.

Senator MELCHER. Under the Act we just passed, the training program for the inspectors was required.

Secretary WATT. And of course we have been training. We've doubled the number of inspectors since I've been Secretary of Interior. The number of inspections has likely quadrupled since I've been Secretary of the Interior.

Senator MELCHER. And then they specifically require training for the inspectors.

Secretary WATT. We will continue that.

Senator MELCHER. Is that in this budget request?

Secretary WATT. We have training money in there, yes.

Senator MELCHER. I'd like to be advised on what that is and whether it was readjusted after the passage of the act.

Secretary WATT. We'll have to supply that breakdown for the record.

[The requested information follows:]

FUNDING FOR TRAINING INSPECTORS

The Bureau of Land Management is continuing its inspections training courses during fiscal year 1983. These training courses are currently underway and are being modified to train personnel to carry out the authority under the Federal Oil and Gas Royalty Management Act of 1982. During fiscal year 1984, the Bureau's funding level for training is expected to be approximately $460,000. This is about a 25 percent increase over fiscal year 1983 in response to the new Act passed in December 1982.

In addition, the fiscal year 1984 budget estimate for the Minerals Management Service includes $300,00 for training Royalty Management personnel in such topics as industry accounting practices. This level of funding was established in the fiscal year 1982 supplemental implementing the improved Royalty Management program, largely in response to the recommendations of the Commission on Fiscal Accountability on the Nation's Energy Resources.

Senator MELCHER. Can you supply the committee and myself a breakdown of what it would cost each State if they're going to pay for the overhead of MMS or the State's portion for minerals?

Secretary WATT. We can do that.

Senator MELCHER. Also for the Indian tribes if that's going to be implemented. And also what it would cost the States for payment of taxes. You're talking about an aggregate of $63 million for the States themselves. That has nothing to do with the Indian tribes.

Secretary WATT. We can break that down.
[The requested information follows:]

IMPACT OF COST RECOVERY PROPOSAL ON STATES

The Department is proposing that, beginning in fiscal year 1984, the relevant costs of the Minerals Management Service's (MMS) royalty management program ($24.5 million) be deducted from Federal onshore mineral leasing receipts before such receipts are distributed between the Treasury and the States. This would ensure that the beneficiaries of such receipts equitably share in the cost of their collection. It is also proposed that amounts equivalent to the fiscal year 1984 requests for Payments in Lieu of Taxes ($102.1 million) be deducted in similar fashion. This proposal is reflected in the proposed appropriation language for MMS's Minerals and Royalty Management Account, and in the estimates of the permanent appropriation for Payments to States from Receipts under the Mineral Leasing Act.

The following table presents the estimated impact of this proposal in fiscal year 1984 on the States that receive a share of Federal onshore mineral leasing receipts. The large increase in estimated fiscal year 1984 payments (prior to cost recovery) is due primarily to provisions of the Federal Oil and Gas Royalty Management Act of 1982 requiring that, effective October 1, 1983, these payments be made monthly rather than semi-annually as before. This results in a large one-time increase in fiscal year 1984 when payments covering 17 months of receipts will be made. Estimated payments to Alaska are computed separately and are based on current projections of increased leasing in the National Petroleum Reserve—Alaska and other areas. The estimated fiscal year 1984 payments (prior to cost recovery) to other States are pro rata allocations of the national total, based upon actual payments in fiscal year 1982.

The total impact of this cost recovery proposal on fiscal year 1984 payments to the States ($54.1 million) is less than the amount proposed to be deducted from mineral leasing receipts ($126.6 million) for three reasons:

(1) The State share of receipts, and therefore of these costs, is generally 50 percent.

(2) Pursuant to various laws, about 6 percent of Federal onshore mineral leasing receipts collected by MMS are passed through to other Federal agencies. While States share in some or all of these receipts (usually at substantially less than 50 percent), those States payments do not go through this permanent appropriation.

(3) The proposal is to deduct fiscal year 1984 costs from fiscal year 1984 receipts. Since payments covering 1 month of fiscal year 1984 receipts will not be made until fiscal year 1985, about 9 percent of the fiscal year 1984 costs will not be recovered until fiscal year 1985.

The net result of these factors is that the reduction in fiscal year 1984 payments to the States ($54.1 million) is about 43 percent of fiscal year 1984 costs ($126.6 million). This will rise to about 47 percent in fiscal year 1985 when 12 months of receipts will be affected.

The allocation among the States of the amount to be recovered in fiscal year 1984 is essentially the same as the allocation of estimated payments prior to cost recovery. Different bases for allocating the costs of royalty management costs (e.g., the number of producible leases) are being reviewed. Actual allocations to a State during fiscal year 1984 will depend upon actual receipts, costs and related data.

The Department has no definitive proposal for recovering the costs of Indian minerals management from Indian mineral leasing revenues at this time. Indian tribes and related organizations will be consulted before such a proposal is put forward.

PAYMENTS TO THE STATES UNDER THE MINERAL LEASING ACT

[In millions of dollars]

	Fiscal year—		Fiscal year 1984 estimates—		
	1982 actuals	1983 estimates	Payments prior to cost recovery	Less cost recovery allocations	Net payments after cost recovery
Alabama	.16	.15	.29	.02	.27
Alaska	23.00	65.84	87.21	4.49	82.72
Arizona	5.25	5.02	9.85	.51	9.34
Arkansas	21.62	20.68	40.55	2.09	38.46
California	29.76	28.46	55.82	2.88	52.94

PAYMENTS TO THE STATES UNDER THE MINERAL LEASING ACT—Continued

[In millions of dollars]

	Fiscal year—		Fiscal year 1984 estimates—		
	1982 actuals	1983 estimates	Payments prior to cost recovery	Less cost recovery allocations	Net payments after cost recovery
Colorado	37.99	36.34	71.26	3.67	67.59
Florida	.07	.06	.12	.01	.11
Idaho	3.98	3.81	7.47	.38	7.09
Kansas	.64	.62	1.21	.06	1.15
Louisiana	.75	.72	1.41	.07	1.34
Michigan	.06	.06	.11	.01	.10
Mississippi	.04	.04	.08		.08
Montana	15.51	14.83	29.09	1.50	27.59
Nebraska	.16	.15	.29	.01	.28
Nevada	11.47	10.96	21.51	1.11	20.40
New Mexico	151.70	145.08	284.52	14.66	269.86
North Dakota	4.61	4.40	8.64	.45	8.19
Oklahoma	2.53	2.42	4.75	.24	4.51
Oregon	1.50	1.43	2.81	.14	2.67
South Dakota	.78	.75	1.46	.08	1.38
Utah	75.43	72.13	141.46	7.29	134.17
Washington	.09	.09	.17	.01	.16
Wyoming	148.99	142.49	279.44	14.40	265.04
Total	536.09	556.53	1,049.52	54.08	995.44

Secretary WATT. I've talked to the Indian groups about this and of course there's an interesting split there. Those wealthier Indian tribes that receive the revenues from oil and gas production of course want the general taxpayer to pay for this administrative cost. The tribes that don't get the oil and gas of course do not want that to be the case because it comes out of BIA's ceiling, so it's another situation where you have the enrichment of the wealthier Indian tribes at the expense of the poorer tribes. So on a population count there are more Indian tribes that don't get oil and gas than do, and they are eager that we pursue this program and have the administrative costs come out of the revenues to be shared by those few tribes that get oil and gas. Why should we take money from the poorer tribes to pay the cost to send wealthy checks to the richer Indian tribes? I think it's a good concept from a public policy and a democratic point of view. The Indian country supports that deduction and the wealthy oil and gas producing tribes oppose it, of course. But anything we do in Interior has a split. This is no exception.

Senator MELCHER. This is a change.

Secretary WATT. Yes, it is.

Senator MELCHER. It would be better accomplished by law if it's going to be changed. That is, by Congress dealing with it directly and not doing it through an appropriation bill, we should have specific legislation from this committee enacted after public hearings on the matter where each State could be involved. You mentioned Montana might be in favor of this, I just wonder whether the Governor knows what the difference is for the State of Montana's receipts. If he did he may not be in favor of it. But it goes to the Indian tribes too, they may not be in favor of it if they know what it means to them in dollars. It really goes to the point of allowing them to look at it, squarely on its merits, and there are some merits to it. But look at it squarely on the cost in dollars to them they're not going to have if it becomes a policy. I think they're entitled to that. I'd like to make sure that this committee faces it.

PARK SERVICE FUNDING

Secretary WATT. Your concern is well expressed and understood. I had another subject matter in the same dimension and concept that you're presenting here. Last year I tried to get the Appropriation Committees to allow us to increase entrance fees of national park and user fees and dedicate those specific revenues to the preservation and protection of the national park system. And the issue that you raise was brought up to Chairman McClure on that subject and we didn't get it. I think it's a wonderful idea. I'm trying to get revenues on budget for the park system everywhere I can. I did get $100 million from the highway trust fund. If I can get this $50 million for those people who paid to see and enjoy parks I would consider it a real winner. I would hope, Mr. Chairman, we could address that issue and maybe solicit Senator Melcher to join with us in that crusade as we try to help parks as well. We just can't afford to sit back on these things because we don't have hearings. Let's try to bring about the public policy changes that will help.

ABANDONED MINE FUND

Senator MELCHER. We do have some money sitting available in the abandoned mine reclamation fund that we seem to have to gather up all the troops in the last minute to convince not just Congress, but more accurately, OMB and the administration, to get those funds out, and that was last year.

Secretary WATT. We have given the States every dollar that they asked for when they said they had the ability to spend it, so we've not had any problem with the States on that issue. Now, have we been spending it fast enough? We'd like to spend it faster because it means jobs, it means environmental enhancement, and the like. But our problem was that the States did not have primacy to receive the money until we changed some of the regulations.

Senator MELCHER. How much money is in that fund right now?

Secretary WATT. We're asking for $218 million for this year and $193 million of that is for the State grant program, and that's an increase over $132 million for 1983.

Senator MELCHER. How much remains in the fund?

Secretary WATT. Quite a bit. We can only give it out as they have the capability and request the money for reclamation purposes.

The CHAIRMAN. I had assumed that that dollar figure you had given us, that the request is based on your estimate of their ability to administer the program and apply it.

Secretary WATT. That's correct.

The CHAIRMAN. I would also assume from what you've just said, if it becomes clear that they can use more money and get more people working in that program more rapidly, you would listen to that request?

Secretary WATT. Yes. Last year we made a big issue before your committee, as you are aware, that we were asking for $78 million, but if the States needed more money we would come back and ask for a supplemental because we need to move this program and they weren't prepared to move it.

I have not made a big issue of that this year but we would certainly entertain it.

Senator MELCHER. How many States that mine coal have had their mine land reclamation plan approved?

Secretary WATT. Eighteen States have approved plans and we expect five more States to have approved plans in fiscal year 1983.

Senator MELCHER. Wasn't that the case last year? I know our State was approved years ago.

Secretary WATT. One year ago, only eight States had approved plans, including Montana. Your State was approved in October 1980. We're working out some of the problems we have had there. You know, Wyoming and Montana didn't have as many abandoned mine lands areas compared to West Virginia, Kentucky, and Indiana. So the thrust of this program is not really going to affect our respective States to the degree it will affect these others. And that's where the money needs to go quickly.

Senator MELCHER. Isn't there about $600 million in that fund?

Secretary WATT. At the end of 1982 there was $513 million. At the end of 1983 we expect there to be $580 million, and it will continue to grow.

Senator MELCHER. Even at these levels of appropriation it will still grow?

Secretary WATT. It will level off a little bit, but it will continue to grow. We seek to get it in balance of course.

Senator MELCHER. It doesn't even have to be in balance. If you ended up the fiscal year with $10 you would still accomplish the purpose of the act. Anyway, you've got a lot of room there, and we have your assurance that you're attempting, as these States make their application, to get on with the work.

Secretary WATT. I think the record is very clear to that point.

MINERAL INSTITUTES

Senator MELCHER. What about the elimination of funding for the 31 mineral institutes for the 1983 level of $9.6 million? This seems to be an argument we have to go over every year.

Secretary WATT. The chairman usually wins this argument.

The CHAIRMAN. I think he just puts a few of those things in there to keep us on our mettle.

Senator MELCHER. Why should it be eliminated? Is there a good reason?

Secretary WATT. Poor Senator McClure has heard me say this at hearings and in private, but we feel that we should not be using the taxpayers' dollars to subsidize those activities that should be carried out by the private sector. We feel that activities of the mineral institutes could better be handled through the universities and through the private sector.

The CHAIRMAN. Would the Senator yield on that?

You know that the Congress started a few years ago on this because we were worried about the mining industry. If you look at the future needs of this country we did not have enough students and training in the disciplines necessary in the mining industry to staff the industry in future years. So we decided to get ahead of the curve and kind of force feed that system so we set up the mineral institutes. I would note that the President, in his state of the Union message, and again in the budget message, has taken note of a similar lapse or lag in supplying enough people for the technological revolution that lies ahead of us and he has asked for some increased funding for money that goes into math and science. We did that even without spending it this time around. The needs in the mineral industry is just as clear now, as when the Congress acted in the first place and at least as clear as the President sees the need for additional funding for math and science.

Secretary WATT. I think I sense how this will be resolved again this year.

The CHAIRMAN. We'll take a close look at it.

Secretary WATT. The philosophy that you've outlined is right on target. That's what it was to do. We have several issues that came along on this philosophy. We need to build the university complement to produce the students who will fill the jobs to meet the needs of America. We've done that with minerals, we've done it with water, we've done it with fish and wildlife biologists through the cooperative agencies and cooperative units, and we find now, as you look back through those programs, that they have been marvelously successful. We have tremendous complements of academic capability for biologists, for water specialists and for mineral specialists. And we're saying to you that in these areas the primary purpose of building the university capability to train the students needed by America has been met and we ought to back out of those three areas. The concept is just as you've said, Senator McClure, and I guess the debate is whether or not we have reached the point where we have successfully achieved the results that initiated the program in the first instance. We're saying yes, although maybe we haven't in all schools. Maybe instead of having 31 we need 11. Maybe we ought to go to a generic concept where you have five big centers. But we shouldn't just give money to each school for political expediency because, for example, they need to hire two biologists when their State game and fish commission has more money and capability than we do. Maybe we ought to be more selective.

But, generally speaking, we feel that the time has come to phase out those three types of programs. The concept is the same in all three areas.

Senator MELCHER. I know that number started much lower than 31, but I'm under the impression that it's still for the same purpose and it still goes to universities and colleges that need to meet the goals of the act. I thought I misunderstood you, but I thought you made some reference to this being a private responsibility.

Secretary WATT. I think it clearly is for some of the research activities that are carried out.

Senator MELCHER. I see what you mean. You think the industry that contracts with the schools of mining for certain projects should provide the money itself.

Secretary WATT. That's correct.

Senator MELCHER. In lieu of these funds.

Secretary WATT. That's correct.

Senator MELCHER. It certainly does fit in with what Senator McClure was saying and it also fits in with what the President was saying when he noted in the state of the Union message that he wanted to see a great increase in engineering graduates.

Secretary WATT. In his program there is an interesting wrinkle to it. Not to deny what the two of you are saying, but we find that we have lots of liberal arts students who have graduated from college who are unemployed. This program would provide money for retraining those graduates to be math and science teachers so that we can upgrade our high school system which has been deteriorated in the fields of math and science.

Senator MELCHER. That goes to that one aspect that Senator McClure was speaking of. But also I'm going to another aspect of the state of the Union message where the President noted that we needed an increase in engineering graduates. It seems to me that this is the one program that I've been connected with since I've been in Congress that goes directly to that matter. We have student loans and other types of help to the university systems throughout the country, colleges, and to the students themselves, but this one goes directly into these institutions where it provides them some money to help pay the cost of the curriculum for those engineering students, and I can tell you in the School of Mines in Butte, their enrollment has gone up dramatically over the past several years. It has quadrupled. Part of it is because of this seed money.

Secretary WATT. I think it's clearly true. I would use the same facts to argue that it's now time to let that school set its own priorities, and I think you've established that those are the priorities because they are the future needs for America. You want jobs to make a contribution and that's where you go. The university should set its priorities rather than us to falsely infuse money to carry a program that may not otherwise have had that priority. I've made the arguments repeatedly and Congress will work its will.

Senator MELCHER. It isn't money wasted.

REVIEW OF REQUESTS FOR INFORMATION

I want to just briefly review what we're waiting to get from you. That would be the Solicitor's opinion on the leasing question, the coal leasing issue.

Secretary WATT. Yes.

Senator MELCHER. And a table that will show us if PILT and mineral royalties, the accounting of it is going to be charged to the States and also the Indian tribes, what that's going to cost in each instance, whether it will deplete the funds that they actually receive and I think we're going to be advised on the matter which will be general knowledge on your decision on Kuwait and reciprocity.

I believe there was one other item which I'm searching for that you will advise us on, on just how you'll take into account the recommendations and the objections of the General Accounting Office in royalty management system.

[The requested information follows:]

GAO REPORT ON ROYALTY ACCOUNTING SYSTEM

The General Accounting Office (GAO) report entitled "Interior Should Solve Its Royalty Accounting Problems Before Implementing New Accounting System" was issued on January 27, 1983. The Department has 60 days from the date of the report to submit a written statement on actions taken on GAO's recommendations. We will provide a copy of that statement to your Committee when it is available.

The Minerals Management Service (MMS) commented on a draft of this report and has reviewed the final version. Their basic conclusion was that the issues raised by GAO were not serious enough to delay installation of the new Auditing and Financial System (AFS), which began initial operations on February 1, 1983. For example, the GAO made recommendations on such issues as upgrading mailroom clerks, replacing the currently inoperative sprinkler system, moving the computer room away from an outside wall, and making arrangements for use of a backup computer in case of a disaster. However, it should be recognized that as the AFS becomes fully operational over the next eight months, MMS will fully consider all GAO recommendations and take appropriate corrective action where necessary.

Secretary WATT. We will, of course, be required to respond to the Congress on our reactions to that.

Senator MELCHER. Thank you very much.

The CHAIRMAN. Thank you very much.

There are certain members that have indicated they have questions they would like to submit in writing. All members will have the opportunity to do that by close of business today. We would hope that you would have the written responses by the end of next week so that they can be incorporated into the record.

Secretary WATT. Thank you very much.

The CHAIRMAN. Thank you. The committee is recessed.

[Whereupon, at 12:40 p.m., the hearing was recessed, to reconvene Thursday, February 3, 1983.]

APPENDIX II

RESPONSES FROM SECRETARY WATT TO ADDITIONAL COMMITTEE QUESTIONS

JAMES A. MC CLURE, IDAHO, CHAIRMAN
MARK O. HATFIELD, OREG.
LOWELL P. WEICKER, JR., CONN.
PETE V. DOMENICI, N. MEX.
MALCOLM WALLOP, WYO.
JOHN W. WARNER, VA.
FRANK H. MURKOWSKI, ALASKA
DON NICKLES, OKLA.
CHIC HECHT, NEV.
JOHN H. CHAFEE, R.I.
JOHN HEINZ, PA.
J. BENNETT JOHNSTON, LA.
HENRY M. JACKSON, WASH.
DALE BUMPERS, ARK.
WENDELL H. FORD, KY.
HOWARD M. METZENBAUM, OHIO
SPARK M. MATSUNAGA, HAWAII
JOHN MELCHER, MONT.
PAUL E. TSONGAS, MASS.
BILL BRADLEY, N.J.
MICHAEL D. HATHAWAY, STAFF DIRECTOR
CHARLES A. TRABANDT, CHIEF COUNSEL
D. MICHAEL HARVEY, CHIEF COUNSEL FOR THE MINORITY

United States Senate
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, D.C. 20510

February 3, 1983

The Honorable James G. Watt
Secretary
Department of the Interior
18th and C Streets, N.W.
Room 6151
Washington, D.C. 20240

Dear Mr. Secretary:

On behalf of the Committee on Energy and Natural Resources, I wish to express its appreciation for your contribution to our understanding of President Reagan's proposed budget for Fiscal Year 1984.

In connection with your testimony before the Committee on February 2, 1983, enclosed are questions for the record. Your response by Thursday, February 10, 1983, would be appreciated. Your response and any inquiries regarding this request should be directed to the attention of Richard D. Grundy, professional staff member at (224-2564).

Sincerely yours,

James A. McClure

James A. McClure
Chairman

JAM:rg/nm
Enclosures

Questions for Secretary Watt

1. Park Service

   We understand that the National Park Service has studied the situation of El Morro in Puerto Rico. What is the current condition of the fort and what plans do you have to preserve it? Are any funds to be available in FY '84?

Questions from Senator Weicker

2. You have proposed $4,038,000 for water and sewer systems in Guam. Does that represent 100% funding or the 75% - 25% match contained in last year's requests?

- What is the total level of needs identified by the government of Guam?

- What are the Administration's plans to deal with the costs GPA will have to assume if it must comply with EPA requirements? What will be the effect on GPA's fiscal condition? What will be the effect on GPA's ability to repay its loans?

3. What are the specific uses for the $2,000,000 for Samoa power? Estimates for resolving the power situation in American Samoa have ranged from $8 million to $23 million if new low speed generators were procured. How does this $2 million fit into a resolution of the power situation and what further actions do you contemplate?

4. Why have you proposed reprogramming $3.2 million for the Northern Marianas rather than requesting a supplemental? Do you plan to wait until after the 1984 appropriation is made and then attempt to reprogram for the 1984 inflation adjustment from Congressional add ons?

- Of what benefit to the Marianas Hospital construction is the $1.8 million left in 1984 after the $3.2 million is restored to the 1983 account?

- On what basis did you originally decide on $5 million when the Marianas construction program indicates a greater need if the schedule is to be met?

- Last year, Assistant Secretary Sanjuan spoke of the critical need for upgrading the water distribution system, even indicating it was a higher need than the hospital. Why have no funds been provided or do you no longer feel this is a priority?

- How do you plan to handle the inflation adjustment for FY'84?

5. The Department of Energy identified $3.3 million in immediate needs in the power system in the Virgin Islands which could be recovered in the first year. Do you disagree with the Department of Energy and if not why have

you not provided such funds, if only as a loan?

- The Governor of the Virgin Islands submitted a list of $40 million in water and power needs last year and yet no funding is provided. Do you disagree on the need for these improvements and if not where do you expect the funds to be obtained?

6. What efforts has the Department taken to work with the Virgin Islands and Guam to develop deficit elimination plans?

7. Does the budget for the Inspector General provide for at least the same level of audit in the territories as was provided under the Comptrollers last year? What efforts do you propose to put the territorial accounts into a form which can be audited?

8. What specifically do you plan to do with the $900,000 for technical assistance? Please provide a breakdown of the $900,000 together with the use of the funds provided in 1983.

9. What is the purpose of the Insular Development Bank? How did you arrive at a $2 million start up figure? What will the $2 million be spent on? When will authorizations be submitted?

- The budget summary is at best confusing. In some places this "bank" appears to be a source of private sector venture capital and in others it appears to be a source of funds for infrastructure development since you state that "All projects proposed for funding in the fiscal year 1984 Budget are of such urgency that they cannot wait until the development bank becomes operational; they are, however, projects that we believe would probably be approved by the bank." The only projects you propose to fund are a water and sewer system in Guam, a juvenile detention facility in the Virgin Islands, a hospital in the Northern Marianas, and upgrade of the power system in Samoa. Are these the types of projects you contemplate funding?

10. What are the specific projects in the Trust Territory you propose to fund with $8,470,000? How many have contractors on site? How many projects identified in the OICC report are not funded? What do you propose to do

about those projects.

- The costs of the political education program were known at least as far back as October of last year. Why did you wait until after the 1983 Interior Appropriation was enacted to request funding and why did you request a reprogramming rather than a supplemental or combine a reprogramming with a supplemental? Since you already had your 1984 budget mark when you asked for the reprogramming, what projects did you delete in order to restore the funds in FY'84.

- What is the basis for the reduction in funding for the FSM?

- Do you plan to cover the increased costs of capital relocation due to the deferrals or must the FSM absorb them?

- What has been done to combat the cholera outbreak in the FSM?

QUESTIONS SUBMITTED TO SECRETARY WATT

FROM MINORITY MEMBERS

Senate Committee on Energy and Natural Resources

February 2, 1983

Questions from Senator Johnston

11. In FY 1982 and again in FY 1983, both the House and the Senate determined that at least a minimal land acquisition program should be continued by the Bureau of Land Management, the Fish and Wildlife Service and the National Park Service. For this purpose, the following amounts were provided in FY 1982: $3,137,000 for land acquisition by BLM: $17,178,000 for land acquisition by the Fish and Wildlife Service; and $132,209,000 for land acquisition by the National Park Service. In FY 1983, the following amounts were made available: $311,000 for land acquisition by the Bureau of Land Management; $27,200,000 for land acquisition by the Fish and Wildlife Service; and $67,505,000 for land acquisition by the National Park Service.

Please submit, for the record, three charts (one each for BLM, FWS and NPS) showing the following by project, for every authorized project:

a) existing authorized ceiling - authorized appropriations and acreage

b) acreage acquired to date and funds expended for that purpose

c) total acreage remaining to be purchased and estimated cost of acquisition

d) of the total appropriation, how much has been expended and how much has been obligated

e) if any funds are unobligated, indicate from what year there is a balance and the reason why

f) whether there are any outstanding court awards likely to come due in FY 1983

g) whether there are any options held by Federal or nonprofit entities on any unacquired acreage which will expire in FY 1984 and, if so, provide full details and cost estimates

h) level of development threat present

12. If the following amounts were made available for land acquisition in FY 1984, what would the project priorities be?

List by project the amount needed, the acreage to be acquired and the justification for each.

a) BLM $500,000 level; $1,000,000 level

b) FWS $20,000,000 level; $30,000,000 level

c) NPS $100,000,000 level; $200,000,000 level

13. What has been the historial obligation rate since 1975 for land acquisition funds for the National Park Service?

Submit for the record data for each year from 1975 to 1983 to date.

14. Why was authority withdrawn from the regional park offices to approve land acquisition and centralized in Washington?

Has this meant that obligation rates have slowed down? In answering this question, indicate the average turnaround time for land acquisition by region and project in 1980, 1981, 1982 and 1983 to date. If there has been any change, indicate why.

15. In FY 1983, the Congress appropriated over $70 million for grants to states for land acquisition.

How much of this has been allocated?

Do you or does the Administration have any plans to submit a rescission request for any of the remaining funds in FY 1983? If so, for how much?

16. Do you or does the Administration have any plans to submit a rescission request for any of the Federal land acquisition funds under your jurisdiction and if so, for which projects?

17. Do you or does the Administration have any plans to submit any reprogramming requests for any of the Federal land acquisition funds remaining from any fiscal year under your jurisdiction? If so, for which projects and with funds from which year?

18. Have any funds appropriated from the Federal side of the Land and Water Conservation Fund to the National Park Service in fiscal year 1981, fiscal year 1982 or fiscal year 1983 been used for any purpose other than direct payments for the acquisition of land or for directly related costs such as appraisals, title insurance or the salaries and expenses of land acquisition personnel? If so, how much money was so used and what was the authority for such use?

Senator Johnston

19. In FY 1983, the Congress appropriated to the Fish and Wildlife Service $1 million for land acquisition at the Bogue Chitto National Wildlife Refuge and $5.2 million for land acquisition at the Tensas River National Wildlife Refuge.

Have these funds been allocated and obligated? If not, when will they be allocated and when do you expect them to be obligated?

20. In FY 1983, the Congress appropriated $2.5 million to the National Park Service for land acquisition at the Jean Lafitte National Historical Park.

Have these funds been allocated and obligated? If not, when will they be allocated and when do you expect them to be obligated?

21. In FY 1983, the Congress appropriated $2,171,000 for construction at the Jean Lafitte National Historical Park.

Have these funds been allocated? If not, when will they be allocated?

When do you expect these funds to be obligated?

22. Does the NPS have the capability to use any additional construction funds for the completion of all construction planned in the General Management Plan for the Jean Lafitte Park? If so, how much could be used in FY 1984? If not, please indicate why not.

23. Will any of these funds be used for any new construction project if a reprogramming request is sent up, or for any purpose other than those clearly defined by the Appropriations Committee as the guidelines for reprogramming (emergency work which could not be anticipated in planning for annual budget submissions)?

24. For many parks, new land protection plans are being prepared. Please indicate which units of the national park system fall into this category, when the LPP was begun, what the status of the LPP is and when it is expected to be completed.

For any units falling within this category, please indicate if any funds for land acquisition at the unit were appropriated in FY 1981, FY 1982 or FY 1983. If funds were appropriated, indicate if they or any part thereof have been obligated. If any funds remain, indicate why. Have the GMPs been submitted and when? When were the GMPs required by statute to be submitted?

Senator Johnston

25. How are the Land Protection Plans being funded - indicate source and authority.

26. What is the status of the Redwoods litigation? Please give a brief history of this project and the surrounding litigation and indicate what the funding requirements of the court action are likely to be. Do you plan to submit a supplemental to cover any expected costs? If not, what are your plans for covering any expected costs?

27. What is the status of the regulations required to be prepared by the Secretary for the implementation of section 110 of P.L. 97-394?

28. In P.L. 97-394, the Department was directed "to consult and cooperate with other entities in seeking creative forms of acquisition on favorable terms" of the McGregor Ranch for addition to the Rocky Mountain National Park. What has been done to date and what is the status of these efforts? Do you expect to find a way to complete this project in FY 1983?

29. Last year in the annual budget submission, the Administration estimated that OCS sales would bring in over $15 billion, while CBO's estimate of the Administration's program indicated that receipts would be considerably less, or about $11.7 billion. We debated this estimate heatedly, and you ultimately wrote a letter to the Chairman of the Budget Committee insisting that the $15 billion was correct and should be used.

I now see the current Administration estimate for FY '83 OCS receipts is $11.7 billion, or just about what CBO indicated that they would be.

I am again concerned that OCS receipts have been overestimated by the Administration. Despite the fact that three fewer lease sales are contemplated in FY '84 than in FY '83 (7 U.S. 10), the Administration's estimate is $11.9 billion, or about $200 million more than in FY '83.

In light of the reduced number of lease sales, many of which are in frontier areas, and the substantially reduced price of oil, how can you justify the FY '84 estimate? What can you tell us about the basis upon which it was made which will lend it some credibility?

RE: SURFACE MINING AND RECLAMATION

30. States with regulatory primacy must have an Abandoned Mine Land (AML) reclamation program.

o How many state AML programs have been approved?

o Which states do not have an approved AML program? When do you expect that these programs will be approved?

31. Interior is recommending increased funding for the Surface Mining Reclamation and Enforcement Program--a total of $231.5 million which is an overall increase of $66.8 million from 1983.

o Which states have Federal regulatory programs as opposed to State regulatory programs? What is the breakdown of funding received by the states with a Federal program?

o Which states have a Federal reclamation program rather than a state program? What is the breakdown of funding among these states?

32. In 1982, the first allocation of grant money from the Abandoned Mine Reclamation Fund was made to some states with approved abandoned mine programs.

o How much money remains in the Abandoned Mine Reclamation Fund to be authorized and appropriated to the states?

OCS RECEIPTS

33. Mr. Secretary, on the first page of your prepared statement, you point out that receipts from oil and gas leasing on the Outer Continental Shelf will total $11.9 billion in FY 1984. As you will recall, the FY 1982 budget estimated receipts from the oil and gas leasing program on the OCS at $18 billion in FY 1983. That estimate was lowered to $15.3 billion at mid-year and now in this budget I see that the FY 1983 estimate has been lowered again to $11.8 billion.

I am concerned about the credibility of the Department's estimates of receipts for this year given the fact that you over estimated that amount last year by almost 35%.

What can you tell us about this disparity?

LEGISLATIVE INITIATIVES

34. Mr. Secretary, what major budget-related legislative initiatives can we expect the Department to transmit to the Committee in the 98th Congress?

In this regard, would you please provide the Committee with a list of those legislative items that you are recommending for inclusion in the FY 1984 Interior Appropriations bill; e.g., fee increases, cost recovery proposals, etc.

LAND SALES

35. Mr. Secretary, I notice that there is no mention in your prepared statement about the Administration's program to dispose of portions of the public lands. Can you tell us about the assumptions in this year's budget relative to land sales?

How much land was sold last year under the Asset Management Program?

How much revenue was generated?

Do you plan to seek any new legislative authority in this regard?

If so, what kind?

COST RECOVERY PROGRAM

36. Would you please elaborate on the Department's proposal, outlined on page 5 of your prepared statement, to deduct the costs for collecting mineral revenues and the payments in lieu of taxes programs from the states' share of mineral receipts?

How much less money will the states receive in FY 1984 under this plan?

Does the Department plan to re-submit its proposed amendments to the Payment-in-Lieu-of-Taxes Act or does this "cost recovery" proposal take its place?

LEGISLATIVE INITIATIVES

37. Mr. Secretary, what major budget-related legislative initiatives can we expect the Department to transmit to the Committee in the 98th Congress?

GRAZING FEES

38. Mr. Secretary, at a time when your Department is emphasizing the need to maximize the recovery of costs whenever possible, I notice that grazing fees paid by those who graze livestock on the public's lands have decreased over the past year.

Does the Department plan to propose legislation during this Congress to amend that statutory fee formula to help ensure maximum return to the Government?

STATE GRANT PROGRAMS

39. Would you provide for the record a table showing the amount requested by the Administration in FY 82, 83, and 84 for the 3 state grant programs administered by the Department (Land and Water Conservation Fund, Historic Preservation Fund, and Urban Parks Program) and the amount actually appropriated by the Congress in 1982 and 1983.

PARK SERVICE CONSTRUCTION

40. Mr. Secretary, I see that the Park Service construction budget has been significantly reduced in FY 1984. While I understand that this is a result of funds being made available to the Agency from the Highway Trust Fund pursuant to the Surface Transportation Act of 1982, I am concerned about the long range implications of this cut.

Can we realistically expect the budget in this area to increase when these funds from this short-term highway improvement program are no longer available in FY 1985? Isn't it more likely that the National Park Service will have to live with this substantial reduction long after the authority under this new program has expired?

FEES

41. What assumptions are contained in the FY 1984 budget request of the Interior Department with regard to increased fee collections?

Do you intend to seek any new legislative authority in this regard?

If so, what kind of new authority will you be requesting from the Congress?

Question for Secretary Watt on the OCS Five Year Plan

42. In July 21, 1982, you approved the final 5-year OCS oil and gas leasing plan. That plan did not provide the detailed criteria by which the DOI would determine if the Government is receiving fair market value for the OCS lands. Are those detailed criteria developed and finalized now? Will you hold public hearings on those detailed criteria? If not, why not? Don't the OCS Land Act Amendments require that amendments to the OCS plan be reviewed by Congress and the public?

43. What level of funding are you requesting for conducting fair market value determinations in the OCS leasing program? How many staff do you propose to use for this effort?

44. On September 29, 1982, you wrote Senator Weicker a letter pledging to work closely with him to assure

a) receipt of fair market value for the OCS lands;

b) that affected coastal states and the public would have their concerns addressed in the program;

c) that environmental concerns would be adquately considered in the program.

What have you done to carry out your pledge to Senator Weicker and this Committee?

Questions from Senator Matsunaga

45. The National Aquaculture Plan was to have been sent to Congress by March, 1982 under a provision of the National Aquaculture Act of 1980. Aquaculture is beginning to show the potential to be an important part of the State of Hawaii's economic future. What is the status of the National Aquaculture Plan, and what activities does the Department of the Interior plan to undertake in Fiscal Year 1984 to help develop domestic aquaculture?

ADDITIONAL COMMITTEE QUESTIONS

El Morro

1. Question: We understand that the National Park Service has studied the situation of El Morro in Puerto Rico. What is the current condition of the fort and what plans do you have to preserve it? Are any funds to be available in FY'84?

Answer: The foundation of the fort is temporarily stable. There are some minor structural problems with the walls which are being addressed on an annual preventive maintenance basis. The walls, however, are not imminently threatened.

The Corps of Engineers is currently studying solutions to the slope erosion undermining fortification walls. When erosion studies are completed, the Service will undertake stabilization of the walls as funds become available. Plans are complete on the breakwater/revetment which is the long-term solution to the foundation and wall protection. This is estimated to cost $13.5 million.

There are no funds budgeted in fiscal 1984 for this project.

Questions from Senator Weicker

Guam Water, Sewer and Power

2. Question: You have proposed $4,038,000 for water and sewer systems in Guam. Does that represent 100% funding or the 75% - 25% match contained in last year's requests?

Answer: The amount requested represents partial funding for the Tumon Bay development plan. The total project will cost approximately $11 million. The amount requested, however, would permit full funding of the water and sewer improvements in Tumon Bay, the first phase of the project.

2a. What is the total level of needs identified by the government of Guam?

Guam's total request for funding consideration by the Department of the Interior was $44,558,367, which included funding for improvements to the Guam Memorial Hospital, deficit elimination, construction projects, and the economic development loan funds.

2b. What are the Administration's plans to deal with the costs GPA will have to assume if it must comply with EPA requirements? What will be the effect on GPA's fiscal condition? What will be the effect on GPA's ability to repay its loans?

The Guam Power Authority is not in a position to fund the installation of scrubbers to comply with the Clean Air Act. This, coupled with the fact that there is minimal or no environmental benefit to be gained by the installation, are the reasons the Environmental Protection Agency submitted, with Interior's concurrence, legislative language which would allow the Administrator to exempt Guam from provisions of the Act.

Samoa Power

3. Question: What are the specific uses for the $2,000,000 for Samoa power? Estimates for resolving the power situation in American Samoa have ranged from $8 million to $23 million. How does this $2 million fit into a resolution of the power situation and what further actions do you contemplate?

Answer: This $2 million will permit the American Samoa Power Authority to update its electrical equipment and make improvements to line equipment. This amount of money will also permit the overhaul of two diesel engines that are not in use at present. The fiscal year 1984 request will take care of short-term and medium-term electrical power needs through 1986. At present, long-term plans are being drafted and will be available by April 1983.

The $2,000,000 for American Samoa power will repair the following:

Satala Power Plant	Year Installed	Cost of Repairs
No. 2-1000 kw Nordberg - complete overhaul	1962	$150,000
No. 6-3100kw Nordberg - complete overhaul	1977	350,000
No. 1-1000kw Nordberg - complete rebuilding to provide additional generating capacity (currently out of service)	1962	500,000
Replace sheet metal and ceilings at Satala plant to prevent rain leaks and protect equipment from salt spray		150,000
Tafuna Power Plant		
No. 2-3500kw - complete rebuilding to provide additional generating capacity (currently out of service)	1974	500,000
No. 3-2500kw Nordberg - complete overhaul	1964	100,000
Both plants		
Install remote control system for heavy loaded area in order to replace present manual switches which are dangerous to operate and time consuming in periods of power failures		250,000

Northern Marianas

4. Question: Why have you proposed reprogramming $3.2 million for the Northern Mariana Islands rather than requesting a supplemental? Do you plan to wait until after the 1984 appropriation is made and then attempt to reprogram for the 1984 inflation adjustment from Congressional add ons?

Answer: We have proposed a deferral of the Northern Mariana hospital funds as a last resort, and regret that we have found it necessary to do so. We anticipated that the Covenant inflation factor would be funded out of other available funds. The hospital construction, however, can proceed without delay in spite of the deferral. We are assured that the $6.8 million will permit the Marianas to proceed with the construction contracts, and we believe that local funds can be added to the construction money if the Marianas decide to increase the scope of the construction activity during this fiscal year. We remain committed to requesting the amount of $15 million as the Federal share of this construction project, and have included a sizable request in the President's fiscal year 1984 budget. We believe that congressional add-ons should not be used to fund ongoing requirements, except as a last resort, after all other alternative sources have been ruled out.

4a. Of what benefit to the Marianas Hospital construction is the $1.8 million left in 1984 after the $3.2 million is restored to the 1983 account?

The Northern Mariana Islands will be receiving, if Congress approves our request, $5 million in FY 1984 and $3.2 million after that. The Federal contribution, then, will be phased over three years at $6.8 million, $5 million and $3.2 million. These are substantial increments, when taken in conjunction with locally available funds, and will permit the construction to continue without delays.

4b. On what basis did you originally decide on $5 million when the Marianas construction program indicates a greater need if the schedule is to be met?

The commitment of this Administration as well as the prior Administration, has been to contribute $15 million toward the construction of a new hospital. The $5 million in our FY 1984 request, together with the FY 1983 appropriation of $10 million, would have fulfilled that commitment, had it not been for the decision to use the 1983 funds for the annual covenant adjustment. We have been assured by the Northern Mariana Islands that construction can begin with $6.8 million.

4c. Last year, Assistant Secretary Sanjuan spoke of the critical need for upgrading the water distribution system, even indicating it was a higher need than the hospital. Why have no funds been provided or do you no longer feel this is a priority?

Water distribution remains a priority in the Northern Mariana Islands. The Government of the Northern Mariana Islands has taken steps to use its funds for water systems improvement plans, and we applaud their efforts. However, we decided not to seek any funds for additional water system improvements in order to be able to fund hospital construction in an effective manner.

4d. How do you plan to handle the inflation adjustment for FY' 84?

For fiscal year 1984, the decision of how to fund the inflation adjustment has not yet been made. We will have to give thorough consideration to a budget amendment, a supplemental request, or to other sources of funding in order to meet this obligation. We are not planning to use any potential congressional add-ons for this purpose.

Virgin Islands Power and Water

5. Question: The Department of Energy identified $3.3 million in immediate needs in the power system in the Virgin Islands which could be recovered in the first year. Do you disagree with the Department of Energy and if not why have you not provided such funds, if only as a loan?

Answer: The short-term remedies proposed by the DOE Energy Study would increase the reliability of the present electrical power system and would decrease overall operating costs through savings of fuel. The project would require $2.5 million dollars for St. Thomas and $1.0 million for St. Croix.

We do not disagree with the Department of Energy. A new loan for this purpose has not been requested because $30 million in loan guarantee authority is already available to the Government of the Virgin Islands, under Public Law 94-392, for purposes described in the DOE study. We would encourage the Government of the Virgin Islands to use its borrowing authority for this purpose.

5a. The Governor of the Virgin Islands submitted a list of $40 million in water and power needs last year and yet no funding is provided. Do you disagree on the need for these improvements and if not, where do you expect the funds to be obtained?

The Virgin Islands government submitted a request for $10 million per year for the next 4 years to address water and power needs. We believe that they can use the remaining $30 million in guaranteed loan authority under Public Law 94-392 to satisfy many of these needs.

Deficit Elimination Plans

6. Question: What efforts has the Department taken to work with the Virgin Islands and Guam to develop deficit elimination plans?

Answer: In 1981, both the Virgin Islands and Guam provided draft deficit elimination plans to the Department of the Interior. Guam's plan was revised after discussions between territorial representatives and Interior. Since the 1981 revision, Guam has not requested any further assistance, nor has it submitted any additional revisions.

The Virgin Islands' plan submitted in 1981 was a preliminary one. The Governor's transmittal letter stated that a revision would be provided. We have technical assistance staff working with both territories on financial management improvements that will help to eliminate the deficits. We are prepared to provide additional assistance.

Comptroller Audits

7. Question: Does the budget for the Inspector General provide for at least the same level of audit in the territories as was provided under the Comptrollers last year?

Answer: The Office of Inspector General budget provides for a level of audit and investigations in the territories that will be slightly larger then last year.

7a. Question: What efforts do you propose to put the territorial accounts into a form which can be audited?

Answer: The Office of Inspector General will continue to report and make recommendations concerning deficiencies in the territorial accounting systems. Territorial accounting systems now in place are auditable, but improvements can be made. The Office of Territorial and International Affairs has the responsibility for technical assistance to the territories, and is taking steps to improve territorial accounting capabilities.

Technical Assistance

8. **Question:** What specifically do you plan to do with the $900,000 for technical assistance? Please provide a breakdown of the $900,000 together with the use of the funds provided in 1983.

Answer: We have identified several areas for which we will provide technical assistance in FY 1934. These are financial management, operations and maintenance, health delivery systems, economic development, and communications.

During the remainder of fiscal year 1983, we will be working with leaders of each of the territories to develop specific projects in these areas.

Insular Development Bank

9. **Question:** What is the purpose of the Insular Development Bank? How did you arrive at a $2 million start up figure? What will the $2 million be spent on? When will authorizations be submitted?

The budget summary is at best confusing. In some places this "bank" appears to be a source of private sector venture capital and in others it appears to be a source of funds for infrastructure development since you state that "All projects proposed for funding in the fiscal year 1984 Budget are of such urgency that they cannot wait until the development bank becomes operational; they are, however, projects that we believe would probably by approved by the bank." The only projects you propose to fund are a water and sewer system in Guam, a juvenile detention facility in the Virgin Islands, a hospital in the Northern Mariana Islands, and upgrade of the power system in American Samoa. Are these the types of projects you contemplate funding?

Answer: We will be forwarding draft authorizing legislation to Congress in the very near future. We expect that the legislation will clarify any confusion which may have arisen.

Trust Territory Construction

10 Question: What are the specific projects in the Trust Territory you propose to fund with $8,470,000? How many have contractors on site? How many projects identified in the OICC report are not funded? What do you propose to do about those projects.

Answer: The following is a breakdown of projects to be funded with the Department of the Interior's $8.47 million FY 1984 request for TTPI construction projects:

Airport Terminals $ 3,000,000

(Palau, Truk, Kosrae, Yap, Ponape - $600,000 each)
The 5-year CIP plan did not include terminal facilities for the airport projects. The existing facilities are inadequate and these proposed terminals are a necessity for airline-passenger security and tourism development.

Palau Dredging Site $ 370,000

Construction is proceeding on the airport project but the existing dredge site will be insufficient to complete the runway. Therefore, it is necessary to relocate to a new dredging site.

Ponape Water $ 1,800,000

Ponape has an annual rainfall over 200 inches per year but due to severe problems with the distribution system, few of the households and hotels have running water. These funds will be used to install new distribution lines and increase reservoir capacity.

Truk Water $ 2,000,000

These funds will be sufficient to complete the major portion of the water distribution and well system on the island of Moen and will also allow construction of the water system for the fisheries complex on the island of Dublon.

Yap Southern Water System $ 1,300,000

These funds will be used to drill wells and install a water distribution system for the southern sections of the Island of Yap.

TOTAL FUNDS $ 8,470,000

The projects reflect a need addressed in the 5-year capital improvement project report. All projects for FY 1984 are continuations of on-going or related projects, and contractors are on site. The Department of the Interior will consider funding other CIP projects in future budgets.

Plebiscite Reprogramming

10. a. Question: The costs of the political education program were known at least as far back as October of last year. Why did you wait until after the 1983 Interior Appropriation was enacted to request funding and why did you request a reprogramming rather than a supplemental or combine a reprogramming with a supplemental?

Answer: The reprogramming request was not developed until all three governments had submitted reasonable funding estimates, had signed the Compact, and had taken steps to organize a program that would effectively inform the voters. On-site visits by key staff members familiar with the particular sensitivities of the program occurred in October and November, contributing to the development of the request. The submission of a second, larger request by the Marshall Islands on November 16, 1982, required a reassessment of the proposed reprogramming and revisions of the draft reprogramming letter. From the time the request was finished in the Office of Territorial and International Affairs, it was shepherded through the Executive Branch without delay, and it was signed within a month, in spite of the holiday season.

Since you already had your 1984 budget mark when you asked for the reprogramming, what projects did you delete in order to restore the funds in FY '84.

The President's budget request for fiscal year 1984, rather than having a request for the plebiscite programs, instead has a request for restoration of funds to replace a 1983 reprogramming. Because the events that justify a full-scale public information program in Micronesia did not occur until Autumn, 1982, and could not have been predicted prior to that time, the President's 1984 budget request did not envision funding for the programs at every stage in the 1984 budget process. The budget request does continue to fund the two major Federal commitments to Micronesia, including the Federal contribution to the construction of Micronesian capitols, and the completion of a reasonable capital improvement program. If the plebiscite program did not require restoration in 1984, those funds would have been devoted to one of these two major commitments, in order to fulfill these U.S. obligations.

FSM Reduction

10 b. Question: What is the basis for the reduction in funding for the FSM?

Answer: The Department planned an increase in the FSM operations budget for FY 1984 from the $35.7 million requested in FY 1983 to $36.9 million. This level, however, was below the level finally enacted for FY 1983. There was no planned reduction.

Capitol Relocation

10 c.Question: Do you plan to cover the increased costs of capitol relocation due to the deferrals or must the FSM absorb them?

Answer: The governments of Micronesia understand that the U.S. commitment is to contribute $21 million to the construction of capitols. It is the prerogative of the Micronesian governments to determine how their own resources will contribute to the project, and to determine the size and scope of the projects. A proposed reprogramming of capitol construction funds was not approved by the Congress. The President's 1984 budget request includes funds for the restoration of accounts that may be reprogrammed for expenses connected to the plebiscites on the Compact of Free Association. It is clear that we had every intention of replenishing the account in time to permit construction on the capitols to progress as planned.

Cholera Outbreak in FSM

10 d. Question: What has been done to combat the cholera outbreak in the FSM?

Answer: The High Commissioner of the Trust Territory of the Pacific Islands, as the Federal official responsible for the overall operation of Micronesia, has been monitoring and reporting on the cholera outbreak in Truk on a daily basis. A team from the High Commissioner's office, including members of the Trust Territory Environmental Protection Board and the Director of Planning and Statistics, has spent a great deal of time in Truk evaluating the situation, planning efforts to control the cholera, and implementing programs to upgrade sanitary facilities.

The Office of Territorial and International Affairs in the Department of the Interior has coordinated efforts with other Federal agencies to provide funding for specific projects. Included in these efforts is a consolidated grant by the Department of the Interior and the Environmental Protection Agency for a rural sanitation project. Funds from this project will be used to construct sanitary sewage disposal systems in rural areas and schools. This Department also funded the travel of officials from the Center for Disease Control, Public Health Service, at the beginning of the outbreak. These officials assisted in formulating an overall strategy for combatting cholera.

Questions Submitted To the Department of the Interior from Minority Members.

Questions submitted from Senator Johnston

Land Acquisition Program, FY 1982 and FY 1983

11. Question: In FY 1982 and again in FY 1983, both the House and the Senate determined that at least a minimal land acquisition program should be continued by the Bureau of Land Management, the Fish and Wildlife Service and the National Park Service. For this purpose, the following amounts were provided in FY 1982: $3,712,000* for land acquisition by BLM; $17,178,000 for lands acquisition by the Fish and Wildlife Service; and $132,209,000 for land acquisition by the National Park Service. In FY 1983, the following amounts were made available: $311,000 for land acquisition by the Bureau of Land Management; $27,200,000 for land acquisition by the Fish and Wildlife Service; and $67,505,000 for land acquisition by the National Park Service.

Please submit, for the record, three charts (one each for BLM, FWS and NPS) showing the following by projects for every authorized project:

a) existing authorized ceiling - authorized appropriations and acreage;
b) acreage acquired to date and funds expended for that purpose;
c) total acreage remaining to be purchased and estimated cost of acquisition;
d) of the total appropriation, how much has been expended and how much as been obligated;
e) if any funds are unobligated, indicate from what year there is a balance and the reason why;
f) whether there are any outstanding court awards likely to come due in FY 1983;
g) whether there are any options held by Federal or nonprofit entities on any unacquired acreage which will expire in FY 1984 and, if so, provide full details and cost estimates; and
h) level of development threat present.

Answer: Acreage and funding data for authorized projects funded during fiscal 1982 and fiscal 1983 for the Bureau of Land Management are as follows:

---

* We have corrected the above amount to read $3,712,000, as $3,137,000 is an incorrect amount.

Answer: a-d

Bureau of Land Management
Land Acquisition (LWCF)

Summary

(accumulative through the First Quarter, FY 1983)

Projects	Auth. $	Acres Planned	Acres Acquired	Acres Remaining	3/ Approp. $000	Oblig. $000	Outlay $000	Unoblig. $000	Estimate Cost to Require Remaining
King Range NCA	$6,500	28,310	14,839	13,471	$2,756	$2,441	$2,309	$315	$3,500
Susan River Trail	---1/	208	203	5	467	461	448	6	50
Pacific Crest NT	387	267	71	196	461	396 2/	385	65	1,000
Roque River WSR	9,996	4,760	4,701	59	9,096	8,815	8,572	281	160
Upper Missouri WSR	1,800	18,616	488	18,128	831	811	790	20	3,000
Rio Grande WSR	253	1,533	1,367	166	364	364 2/	357	---	220
Sleeping Giant	---1/	2,793	2,793	---	2,170	2,170	2,170	---	---
Yaquina Head ONA	---1/	61	3	58	2,620	106	103	2,514	---
Other Projects	---1/	810	146	664	349	349	349	---	---
Total	18,936	57,358	24,611	32,747	19,114	15,913	15,483	3,201	7,930

1/ No specific authorizations were made.

2/ Burton Amendment authorizes expenditures 10% in excess of authorization or $1,000,000 whichever is greater.

3/ Includes non-project specific Acquisition Management funding of $295,000 in FY 82 and $150,000 in FY 83.
WCA = National Conservation Area
NT = Natural Trail
WSR = Wild and Scenic River
ONA = Outstanding Natural Area

Answer: e-h

e) All remaining unobligated funding balances are from FY 1982. The major unobligated balance from FY 1982 is $2,514,000 for Yaquina Head ONA where the time limit expired on the acquisition agreement prior to receipt of the FY 1982 supplemental. Renegotiations are proceeding.

f) Yes, there has been one court award on the Rogue WSR. It was the Arrington parcel for $10,500 and was settled in FY 1983.

g) No, we are not aware of any options that will expire in FY 1984.

h) We are not aware of any critical threat of development except at Yaquina Head ONA where an existing rock quarry continues in operation.

Answer: Acreage and funding data for authorized projects funded during fiscal 1982 and fiscal 1983 for the National Park Service are as follows:

National Park Service
Land Acquisition

(in 000)

Area	(a) Existing Auth. Ceiling	(d) Authorized Appropriation	(b)(d) Funds Obligated	(d) Funds Expended	(e) Unobligated 1982 F.Y.	(e) Balance 1983 F.Y.
Allegheny Portage RR NHS	3,188	2,854	1,186	1,182	1,668	0
Appalachian NS Trail	95,000	54,135	44,257	43,023	0	9,877
Big Cypress NPres.	156,700	163,935	163,592	152,992	0	343
Big Thicket NPres.	63,812	83,573	81,955	81,955	1,618	0
Biscayne NP	36,850	32,570	26,802	26,793	1,768	4,000
Buffalo N River	39,948	43,859	41,891	41,307	0	1,967
Cape Cod NS	33,500	42,918	39,431	38,032	3,487	0
Cape Lookout NS	7,903	9,903	7,903	5,573	0	2,000
Channel Islands NP	30,100	3,740	48	48	3,692	0
Chattahoochee River NRA	72,900	66,920	66,873	66,870	47	0
Cumberland Island NS	28,500	25,190	25,083	24,686	107	0
Cuyahoga Valley NRA	70,100	80,263	72,995	70,155	1,268	6,000
Delaware Water Gap NRA	NA	75,216	73,922	73,862	294	1,000
Ebey's Landing NS Reserve	4,500	4,421	2,427	2,427	1,994	0

National Park Service
Land Acquisition

(in 000)

Area	(a) Existing Auth. Ceiling	(d) Authorized Appropriation	(b)(d) Funds Obligated	(d) Funds Expended	(e) Unobligated 1982 F.Y.	(e) Balance 1983 F.Y.
Fort Sumter NM	NA	368	0	0	368	0
Golden Gate NRA	77,110	64,997	53,463	53,452	9,334	2,200
Great Smoky Mountains NP	1,800	1,683	183	183	0	1,500
Gulf Islands NS	22,162	17,985	14,773	14,597	0	3,212
Indiana Dunes NL	63,932	64,600	62,974	61,579	226	1,400
James A. Garfield NHS	205	205	0	0	0	205
Jean Lafitte NHP	50,000	14,339	11,830	11,378	9	2,500
Lassen Volcanic NP	NA	6,988	6,373	5,243	615	0
Lower St. Croix NSR	18,750	16,410	15,738	15,626	672	0
Martin Luther King, Jr., NHS	3,500	515	0	0	15	500
New River Gorge NR	20,000	4,502	698	698	3,804	0
Olympic NP	23,700	22,740	13,052	93	0	9,688
Redwood NP	NA	409,245	409,004	407,906	241	0
Saint Croix WSR	21,769	15,388	15,367	15,271	21	0
San Antonio Missions NHP	10,000	1,344	58	41	1,286	0

National Park Service
Land Acquisition

(in 000)

Area	(a) Existing Auth. Ceiling	(d) Authorized Appropriation	(b)(d) Funds Obligated	(d) Funds Expended	(e) Unobligated 1982 F.Y.	(e) Balance 1983 F.Y.
Santa Monica Mountains NRA	125,000	37,663	18,701	18,648	18,962	0
Upper Delaware Scenic River	NA	776	485	485	291	0
Valley Forge NHP	13,895	8,817	5,419	5,418	3,398	0
Virgin Islands NP	NA	15,308	15,220	15,216	88	0
Voyageurs NP	38,314	36,291	33,248	33,231	0	3,043
		1,429,661	1,324,951	1,287,970	55,273	49,436

National Park Service
Land Acquisition

	(a) Authorized Acreage	(b) Acres Acquired	(c) Acreage Remaining 1/	(c) Estimated Cost of Acquisition 1/	(h) Threat of Development
Allegheny Portage RR NHS	1,135	826	308	$ 333,831	50%
Appalachian NS Trail	101,450	47,939	36,174	40,865,466	70%
Big Cypress NPres.	570,000	492,194	36,293	6,425,000 2/	10%
Big Thicket NPres.	85,843	73,970	11,862	31,300,000 2/	80%
Biscayne NP	172,845	95,011	2,073	4,280,000	50%
Buffalo N River	94,146	87,864	3,025	6,681,614 2/	15%
Cape Cod NS	44,596	26,932	2,020	4,882,425 2/	40%
Cape Lookout NS	28,415	22,275	2,146	8,322,000 2/	0
Channel Islands NP	249,354	10,891	113,909	26,360,000	75%
Chattahoochee River NRA	8,699	2,430	2,364	5,980,000	60%
Cumberland Island NS	36,978	18,678	4,290	24,200,000 2/	5%
Cuyahoga Valley NRA	32,460	13,090	11,067	Unknown	50%
Delaware Water Gap NRA	66,705	52,485	6,139	21,740,000	75%
Ebey's Landing NS Reserve	8,000	293	7,707	79,000	40%
Fort Sumter NM	67	64	1	0	10%
Golden Gate NRA	72,615	24,203	13,094	12,112,960	50%
Great Smoky Mountains NP	520,269	517,660	2,609	Unknown	5%
Gulf Islands NS	139,776	98,913	5,220	4,176,780	10%
Indiana Dunes NL	1,046	8,517	12,535	116,000	0
James A. Garfield NHS	8	0	8	0	0
Jean Lafitte NHP	20,000	5,368	12,892	35,660,570	50%
Lassen Volcanic NP	106,372	106,366	6	Unknown	0
Lower St. Croix NSR	9,365	6,953	2,005	2,340,000	30%
Martin Luther King, Jr., NHS	23	0 3/	16	2,985,000	100%
New River Gorge NR	62,024	541	57,232	15,497,991	40%
Olympic NP	914,579	901,842	4,311	960,000	80%
Redwood NP	110,131	75,213	240	26,120,000	0
Saint Croix WSR	64,150	23,373	14,445	6,636,137	30%
San Antonio Missions NHP	478	6	321	8,656,000	50%
Santa Monica Mountains NRA	150,000	6,285	106,264	83,357,500	65%
Upper Delaware Scenic River	25,000	3	73,697	Unknown	10%
Valley Forge NHP	3,470	2,640	656	5,078,435	100%
Virgin Islands NP	14,696	12,745	1,818	6,292,000	75%
Voyageurs NP	219,128	129,778	8,965	8,500,000	33%

1/ Private acreage to be acquired and cost of acquisition unknown pending completion of Land Protection Plan.
2/ Requires amendatory legislation to increase statutory ceiling.
3/ Less than one acre.

e) Until Land Protection Plans are completed, discretionary land acquisition actions in individual units of the National Park System are being reviewed on a case-by-case basis. These reviews are to assure that acquisition proceeds in an orderly and timely manner as intended by Congress, that appropriated funds are used to protect high priority tracts and address hardships, emergencies and sites needed for administrative use, and that the interests to be acquired are those necessary to achieve unit purposes as established in authorizing legislation. Case-by-case reviews are being conducted in a timely manner to avoid unnecessary delays in the obligation of appropriated funds.

f) It is anticipated that condemnation awards or settlements will become due at the following areas in fiscal 1983:

Big Cypress National Preserve	$18,000,000
Big Thicket National Preserve	6,000,000
Buffalo National River	2,000,000
Cape Cod National Seashore	3,500,000
Cumberland Island National Seashore	1,000,000
Gulf Islands National Seashore	8,629,000
Redwood National Park (K&K Road)	4,439,000
Sleeping Bear Dunes National Seashore	11,500,000
Voyageurs National Park	1,900,000
Various other areas	1,000,000

g) There are no options held by the National Park Service on any unacquired acreage which will expire in fiscal 1984. We are not aware of any options held by nonprofit entities that will expire in fiscal 1984.

Answer: Acreage and funding data for authorized projects funded during fiscal 1982 and fiscal 1983 for the Fish and Wildlife Service are as follows:

Fish and Wildlife Service
Land Acquisition

UNITS FUNDED IN FY 1982 - FY 1983 a -c
($000)

Authorization/Unit	Existing Ceiling		Acquired (9/30/82)		Remaining to be Acquired	
	$	acres	$	acres	$	acres
SPECIALLY LEGISLATED						
BOGUE CHITTO	$ 13,000	40,000	$ 6,953	17,944	$6,047	22,056
SAN FRANCISCO BAY	13,200	21,600	10,706	16,689	2,256	1,475
BON SECOUR	23,500	10,000	7,773	1,610	15,727	8,390
TENSAS	10,000	10,000	4,800	5,333	5,200	4,667
ALASKA MARITIME	7,200	9,000	1,920	3,000	5,300	6,000
BANDON MARSH	270	289	-0-	-0-	270	289
PROTECTION ISLAND	4,000	352	-0-	-0-	4,000	352
Subtotals	$ 71,170	$ 91,241	$ 32,152	44,576	$38,800	43,229
ENDANGERED SPECIES ACT						
YAQUI TOPMINNOW	$ 850	2,440	$ 816	2,309	$ -0-	-0-
CALIFORNIA CANDOR(Blue Ridge)	1,992	1,400	393	577	1,151	823
BALD EAGLE/BEAR VALLEY	2,788	4,240	873	973	1,915	3,267
KIRTLANDS WARBLER	2,350	4,500	100	240	2,250	4,260
PLYMOUTH RED-BELLIED TURTLE	275	182	-0-	-0-	275	182
AMERICAN CROCODILE	20,000	7,100	966	203	19,034	6,897
WEST INDIAN MANATEE	500	65	-0-	-0-	500	65
Subtotals	$27,962	19,927	$ 3,148	4,302	25,125	15,494
FISH AND WILDLIFE ACT						
LOWER SUWANNEE	$25,000	57,000	$ 1,796	11,587	$23,204	45,413
RIO GRANDE VALLEY	17,600	15,000	1,583	543	16,017	14,457
Subtotals	$42,600	72,000	$ 3,379	12,130	$39,221	59,870
RECREATIONAL USE ACT						
TRUSTOM POND	$2,277	600	$ 441	63	$ 1,836	537
WERTHEIM	5,400	747	1,196	181	4,204	566
Subtotals	7,677	1,347	$ 1,637	244	$ 6,040	1,103
Grand Total	$149,409	184,515	$ 40,316	61,252	109,186	119,696

Fish and Wildlife Service
Land Acquisition

d,e) OBLIGATION AND EXPENDITURES AS OF DECEMBER 31, 1982 ($000's)

Fiscal Year	Total Appropriation	Obligated	Expended	Unobligated Balance	Reason for Unobligated Balance
1982	$16,491	$12,248	11,790	$4,243	Essentially made up of 4 projects involving title, appraisal and negotiation problems.
1983	$27,200	-0-	- 0 -	$27,200	Appropriation Act signed in late December. As of January 31, 1983 apportionments not signed.

f) Outstanding Court Awards Anticipated in FY 1983: None

g) Options Held by Service or Non-Profit Entity Expiring in FY 1984: None

h) The level of development threat is shown on the next two pages.

Fish and Wildlife

Level of Development Threat

American Crocodile - Continuation of acquisition at Crocodile Lake NWR within designated Critical Habitat. Prime feeding and nesting habitat threatened with housing developments.

Kirtland's Warbler - Continuation of acquisition of essential nesting and foraging habitat. Private inholdings within Ogemaw State Forest threatened with housing developments.

San Francisco Bay NWR - Preserve remnant salt marsh habitat, while providing wildlife-oriented recreation. Supports 4 listed species.

Lower Rio Grande Valley NWR - Preserve remnant brushland habitat. Endangered ocelot and jaguarundi present in several areas, with most tracts providing white-winged dove nesting and roosting habitat.

Blunt-nosed Leopard Lizard - Continuation of acquisition of essential habitat. Habitat being rapidly lost due to agricultural development.

Leatherback Sea Turtle - Includes all of designated Critical Habitat for species. Only known nesting area within U.S. or its territories.

Mississippi Sandhill Crane - Designated Critical Habitat. Acquisition necessary to enable management and restoration of nesting and feeding habitat for species recovery.

Leetown National Fisheries Center - Protect water supply for Fisheries Center. Housing developments, solid waste disposal and changes in farming practices threaten to adversely affect water quality.

Tinicum National Environmental Center - Acquisition of this tract will secure site for interpretive center. Established to preserve remaining tidal marsh and provide wildlife-oriented recreation.

Great Dismal Swamp NWR - To prevent destruction of important palustrine fish and willdlife habitat. Continued threat from conversion of forested wetlands to agricultural land.

Cedar Key NWR - Protect feeding sites for colonial nesting birds (egrets, herons, cormorants, and others) that nest and roost at existing Cedar Keys NWR.

Bald Eagle - Continuation of acquisition at Bear Valley NWR. Largest bald eagle winter roost in lower 48 States. Threatened with logging and homesite development.

Lower Suwannee - Protect a unique, diverse river-delta estuary. At least 6 listed species are known to occur on the area. Pine monoculture conversion and residential and commercial development threaten wildlife values.

Mason Neck NWR - Complete public acquisition plan in order to protect bald eagle nesting and roosting values and provide compatible wildlife-oriented recreation. Housing developments threaten area.

Hawaiian Waterbirds - Designated Critical habitat for endangered Hawaiian coot and stilt. Acquisition will prevent adverse development and enable intensive management towards recovery.

Minnesota Valley NWR - Perpetuate natural wildlife resources, as well as provide opportunities for wildlife-oriented recreation and environmental education.

Trustom Pond NWR - Preserve an undeveloped tidal pond ecosystem and provide public use.

Wertheim NWR - Protect natural resources of the existing refuge, while allowing more public use opportunities.

Pahrump Killifish - Acquisition will enable protection of water supply to maintain species on Desert NWR. Housing developments threaten aquifer.

Land Acquisition, FY 1984

12. Question: If the following amounts were made available for land acquisition in FY 1984, what would the project priorities be?

List by project the amount needed, the acreage to be acquired and the justification for each.

a) BLM $500,000 level; $1,000,000 level

b) FWS $20,000,000 level; $30,000,000 level

c) NPS $100,000,000 level; $200,000,000 level

Answer: 12 a. The following table shows how the funding would be distributed for BLM:

Project	$500,000 Program	$1 million Program
Rogue W&SR	160,000	160,000
King Range NCA	190,000	500,000
Pacific Crest Trail	100,000	150,000
Susan River Trail	50,000	50,000
Rio Grande W&SR	-0-	110,000
Upper Missouri W&SR	-0-	30,000
	$500,000	$1,000,000

Justification:

$500,000 Program

1. Rogue W&SR - $160,000 - funds would be used for deficiency payments ($100,000), contingency negotiated settlements ($30,000) and acquisition administration - ($30,000) to acquire approximately 55 acres.

2. King Range NCA - $190,000 - funds would be used to exchange and direct purchase of approximately 125 acres.

3. Pacific Crest Trail - $100,000 - funds would be used to acquire approximately 25 acres of trail easements.

4. Susan River Trail - $50,000 - funds would be used to acquire three road easements totalling approximately 5 acres.

$1 million program

1. Rogue W&SR - $160,000 - same as $500,000 program.
2. King Range NCA - $500,000 - in addition to $190,000 identified in the $500,000 program, $340,000 could be used to acquire interest in an additional 175 acres, mostly by exchange.
3. Pacific Crest Trail - $150,000 - in addition to $100,000 identified in the $500,000 program, $50,000 could be used to acquire an additional 15 acres of trail easements.
4. Susan River Trail - $50,000 - same as $500,000 program.
5. Rio Grande W&SR - $110,000 - funds would be used to acquire approximately 95 acres by direct purchase.
6. Upper Missouri W&SR - $30,000 - funds would be used to acquire approximately 15 acres of scenic easement.

Answer to question 12 b. appears after answer to question 12 c.

Answer:12c. The following tabulations identify by project the priorities of the National Park Service at a $100,000,000 and a $200,000,000 level. The areas are listed in alphabetical rather than priority order. First priority are those areas with deficiency needs as identified in the fiscal year 1984 budget request.

National Park Service
Land Acquisition
$100 Million Budget Level
($thousands)

Project	Acres	Amount	Justification
Alaskan Areas	-	$ 200	To equalize exchange values.
Antietam NB	200	500	Land Protection Plan to be completed 9/83. Funds will be used to acquire scenic easements.
Appalachian NS Trail	4,600	5,000	Land Protection Plan to be reviewed in near future. Funds needed to continue protection efforts.

Big Cypress NPre	-	4,000	Funds requested to pay anticipated court awards.
Big Thicket NPre	-	6,000	Funds requested to pay anticipated court awards.
Buffalo NR	300	500	Funds requested to acquire remaining tracts and mineral interests. Land Protection Plan scheduled for completion 7/84.
Cape Lookout NS	-	4,000	Funds requested to pay anticipated court awards.
Chaco Culture NHP	-	500	Funds needed to equalize exchanges. Land Protection Plan scheduled for completion 4/83.
Chickamauga-Chattanooga NMP	.5	304	To acquire 1 tract that was added to the boundary by Act of 3/5/80. This tract is being held by the National Park Foundation.
Congaree Swamp NM	-	25,000	Anticipated amount for deficiency on declaration of taking on 4 tracts totalling 15,138 acres.
Coronado NM	50	500	To acquire tracts threatened with development.
Cuyahoga Valley NRA	160	1,000	Land Protection Plan scheduled for completion 9/84. Funds to be used to acquire hardship and emergency tracts.
Delaware Water Gap NRA	250	500	Land Protection Plan scheduled for completion 9/83. Funds will be used to implement new land protection program.
Golden Gate NRA	80	1,500	Land Protection Plan scheduled for completion 6/83. Funds will be used to implement new land protection program.

Gulf Islands NS	-	4,300	Funds needed to pay expected deficiency on condemnations of mineral and surface tracts.
Jean Lafitte NHP	90	1,000	Land Protection Plan scheduled for completion 4/83. Funds to be used to implement this plan.
Lower St. Croix WSR	-	1,000	Funds needed to pay additional amounts that resulted from renegotiation of previously acquired tracts.
Manassas NBP	611	1,500	Funds needed to reimburse National Park Foundation and Eastern National Parks and Monuments Association for land they are holding.
Martin Luther King, Jr., NHS	3	500	Land Protection Plan scheduled for completion 4/83. Funds will be used to implement the plan.
Monocacy NB	534	2,300	Land Protection Plan scheduled for completion 9/83. Funds will be used to acquire 2 core tracts.
Olympic NP	200	960	Land Protection Plan scheduled for completion 9/83. Funds will be used to implement land protection program in 1976 boundary expansion area.
Point Reyes NS	300	2,000	Land Protection Plan scheduled for completion 6/83. Funds will be used to acquire hardships and emergency tracts.
Rocky Mountain NP	1,237	4,100	Funds will be used to acquire a conservation on MacGregor Ranch.
St. Croix W&SR	800	500	Land Protection Plan scheduled for completion 9/83. Funds will be used to implement the plan.

Salinas NM	200	500	Land Protection Plan scheduled for completion 4/83. Funds required to prevent resource damage.
San Antonio Missions NHP	250	1,000	Land Protection Plan concurred in 1/83. Funds will be used to acquire easement interests.
Santa Monica Mountains NRA	670	5,336	Land Protection Plan scheduled for completion 6/83. Funds will be used to acquire hardships and emergency tracts.
Sleeping Bear Dunes NS	-	12,000	Funds will be used to pay court awards in condemnation cases.
Valley Forge NHP	83	1,000	Land Protection Plan scheduled for completion 9/83. Funds will be used to acquire hardship and emergency tracts and scenic easements.
War in the Pacific	7	500	Land Protection Plan scheduled for completion 6/83. Funds will be used to implement plan.
Deficiencies	-	2,500	Funds will be used to pay awards on condemnation cases.
Inholding Areas	540	2,000	Funds will be used to acquire hardship and emergency tracts and to implement land protection plans.
Acquisition	-	7,500	Minimum level required for personnel and related administrative costs.
Total	11,165.5	$100,000	

NPS Land Acquisition $200 Million Budget Level ($000)

Project	Acres	Amount	Justification
Alaskan Areas	-	$ 500	Funds to be used to implement exchange program.

Project	Acres	Amount	Justification
Antietam NB	400	1,000	Land Protection Plan to be completed by 9/83. Funds will be used to acquire scenic easements.
Appalachian NST	9,000	10,000	Land Protection Plan to be reviewed in near future. Funds needed to continue trail protection/ right-of-way program.
Big Cypress NPre	700	6,000	Funds requested to pay anticipated court awards and acquire a portion of remaining private lands. Land Protection Plan scheduled for completion 9/83.
Big Thicket NPre	1,905	10,000	Funds requested to pay anticipated court awards and to acquire hardship emergency tracts.
Buffalo NR	600	1,000	Funds requested to acquire remaining tracts and mineral interest. Land Protection Plan scheduled for completion 7/84.
Cape Lookout NS	-	4,000	Funds requested to pay anticipated court awards.
Chaco Culture NHP	300	1,000	Funds needed to equalize exchanges and acquire interests as identified in Land Protection Plan. Plan scheduled for completion 4/83.
Chickamauga-Chattanooga NMP	.5	304	To acquire 1 tract that was added to the boundary by Act of 3/5/80. This tract is being held by the National Park Foundation.

Project	Acres	Amount	Justification
Congaree Swamp NM	-	25,000	Anticipated amount needed for deficiency on declaration of taking on 4 tracts totalling 15,138 acres.
Coronado NM	180	1,000	To acquire tracts threatened with development. Land Protection Plan scheduled for completion 6/84. Balance of funds will be used to implement plan.
Cuyahoga Valley NRA	1,800	6,000	Land Protection Plan scheduled for completion 9/84. Funds will be used to acquire hardship and emergency tracts and tracts needed for administrative purposes.
Delaware Water Gap NRA	500	1,000	Land Protection Plan scheduled for completion 9/83. Funds will be used to implement new land protection program with major emphasis on hardship cases.
Golden Gate NRA	2,080	5,000	Land Protection Plan scheduled for completion 6/83. Funds will be used to implement new land protection program.
Gulf Islands NS	-	4,300	Funds needed to pay expected deficiency on condemnations of mineral interest and surface tracts.
Jean Lafitte NHP	540	6,000	Land Protection Plan scheduled for completion 4/83. Funds to be used to implement this plan.

Project	Acres	Amount	Justification
Lower St. Croix NSR	800	1,500	Funds will be used to pay additional amounts that resulted from renegotiation of previously acquired tracts and implementation of Land Protection Plan. Plan scheduled for completion 9/83.
Manassas NBP	1,055	4,000	Land Protection Plan scheduled for completion 9/83. Funds will be used to reimburse National Park Foundation and Eastern National Parks and Monuments Association for land they are holding and to commence land protection program.
Martin Luther King, Jr., NHS	5	1,000	Land Protection Plan scheduled for completion 4/83. Funds will be used to implement program.
Monocacy NB	634	3,000	Land Protection Plan scheduled for completion 9/83. Funds needed to acquire 2 tracts and other tracts that are threatened with development.
New River Gorge NR	5,500	6,000	Land Protection Plan scheduled for completion 9/83. Funds will be used to implement new land protection program.
Olympic NP	200	960	Land Protection Plan scheduled for completion 9/83. Funds will be used to implement land protection program in 1976 boundary expansion area.

Project	Acres	Amount	Justification
Petersburg NB	7	1,500	Land Protection Plan scheduled to be completed 9/83. Funds to be used to protect remaining private tracts.
Point Reyes NS	966	4,000	Land Protection Plan scheduled for completion 6/83. Funds will be used to implement plan.
Redwood NP	1,513	8,000	Funds will be used to acquire right-of-way for U.S. 101 Relocation.
Rocky Mountain NP	1,300	5,000	Funds will be used to acquire conservation easement on MacGregor Ranch and other small priority tracts.
St. Croix W&SR	1,600	1,000	Land Protection Plan scheduled for completion 9/83. Funds will be used to implement new plan.
Salinas NM	200	500	Land Protection Plan scheduled for completion 4/83. Funds required to prevent further resource damage.
Saratoga NHP	803	1,000	Land Protection Plan scheduled for completion 5/84. Funds will be used to acquire interests identified in 1983 boundary expansion.
San Antonio Missions NHP	325	2,000	Land Protection Plan completed. Funds will be used to implement plan with major thrust on easement acquisition.
Santa Monica Mountains NRA	4,400	34,446	Land Protection Plan scheduled for completion 6/83. Funds will be used to implement program with emphasis on hardship and emergency tracts.

Projects	Acres	Amount	Justification
Sequoia NPS (Mineral King)	482	4,000	Land Protection Plan scheduled for completion 6/83. Funds will be used to acquire priority tracts in Mineral King addition.
Sleeping Bear Dunes NL	575	14,000	$12.0 million will be used to pay court awards on condemnation cases. Balance of funds will be used to commence acquisition of land in 1982 boundary expansion area. Land Protection Plan scheduled for completion 9/83.
Valley Forge NHP	325	4,000	Land Protection Plan scheduled for completion 9/83. Funds will be used to implement new land protection plan to prevent subdivision and development within park.
Virgin Islands NP	117	2,000	Land Protection Plan scheduled for completion 12/83. Funds will be used to implement land protection program on willing seller basis.
Voyageurs NP	1,500	1,000	Land Protection Plan scheduled for completion 12/83. Funds will be used to implement plan and acquire hardship tracts.
War in the Pacific NHP	69	1,500	Land Protection Plan scheduled for completion 6/83. Funds will be used to implement plan.

Projects	Acres	Amount	Justification
Women's Right NHP	3	490	Funds will be used to acquire land and interest in land in this new unit of the National Park System.
Deficiencies	-	2,500	Funds will be used to pay awards on condemnation cases timely.
Inholdings	1,350	5,000	Funds will be used to acquire land and interest in land on willing seller basis with first priority being hardship and emergency tracts.
Acquisition Management	-	9,500	Funds needed for personnel and related administrative costs to implement $200.0 million program.
Total	41,734.5	$200,000	

Answer: 12b. Following table and justification provide Fish and Wildlife Service projects, in current priority order, within the $20 million and $30.million funding levels. Endangered species projects are entitled with the primary species name. Location by counties or refuge is presented, as well as the acreage that would be protected with the suggested funding levels. The rationale for preserving each project area and threat to each area are given.

LAND ACQUISITION PRIORITI WITHIN VARIOUS FUNDING LEVELS

Fish and Wildlife

Project	Location	Funding Needed	Cumulative Total	Acreage to be Acquired
American Crocodile	Crocodile Lake NWR, FL	$5,000,000	0	2,000
Kirtland's Warbler	Ogemaw State Forest, MI	1,000,000	$6,000,000	2,000
San Francisco Bay NWR	Alameda/San Mateo/Santa Clara Counties, CA	1,000,000	7,000,000	1,700
Lower Rio Grande Valley NWR	Cameron/Starr/Hidalgo/Willacy/Zapata Counties, TX	1,500,000	8,500,000	1,500
Blunt-nosed Leopard Lizard	Kern NWR, CA	2,700,000	11,200,000	1,760
Leatherback Sea Turtle	Sandy Point, VI	2,500,000	13,700,000	230
Mississippi Sandhill Crane	Miss. Sandhill Crane NWR, MS	2,000,000	15,700,000	1,500
Leetown Natl. Fish. Ctr.	Jefferson County, WV	500,000	16,200,000	168
Tinicum Natl. Env. Ctr.	Delaware/Philadelphia Counties, PA	300,000	16,500,000	56
Great Dismal Swamp NWR	Camden/Gates/Paquotank Counties, NC	1,750,000	18,250,000	4,700
Cedar Key NWR	Levy County, FL	500,000	18,750,000	750
Bald Eagle	Bear Valley, OR	220,000	18,970,000	1,000
Lower Suwannee NWR	Dixie/Levy Counties, FL	1,030,000	20,000,000	2,750
Mason Neck NWR	Fairfax County, VA	3,100,000	23,100,000	355
Hawaiian Waterbirds	Kealia Pond, HI	4,500,000	27,600,000	220
Minnesota Valley NWR	Hennepin/Carver/Scott Counties, MN	300,000	27,900,000	110
Trustom Pond NWR	Washington County, RI	210,000	28,110,000	35
Wertheim NWR	Suffolk County, NY	1,710,000	29,820,000	200
Pahrump Killifish	Desert NWR, NV	180,000	30,000,000	40

Fish and Wildlife

Project - Justifications

American Crocodile - Continuation of acquisition at Crocodile Lake NWR within designated Critical Habitat. Prime feeding and nesting habitat threatened with housing developments.

Kirtland's Warbler - Continuation of acquisition of essential nesting and foraging habitat. Private inholdings within Ogemaw State Forest threatened with housing developments.

San Francisco Bay NWR - Preserve remnant salt marsh habitat, while providing wildlife-oriented recreation. Supports 4 listed species.

Lower Rio Grande Valley NWR - Preserve remnant brushland habitat. Endangered ocelot and jaguarundi present in several areas, with most tracts providing white-winged dove nesting and roosting habitat.

Blunt-nosed Leopard Lizard - Continuation of acquisition of essential habitat. Habitat being rapidly lost due to agricultural development.

Leatherback Sea Turtle - Includes all of designated Critical Habitat for species. Only known nesting area within U.S. or its territories.

Mississippi Sandhill Crane - Designated Critical Habitat. Acquisition necessary to enable management and restoration of nesting and feeding habitat for species recovery.

Leetown National Fisheries Center - Protect water supply for Fisheries Center. Housing developments, solid waste disposal and changes in farming practices threaten to adversely affect water quality.

Tinicum National Environmental Center - Acquisition of this tract will secure site for interpretive center. Established to preserve remaining tidal marsh and provide wildlife-oriented recreation.

Great Dismal Swamp NWR - To prevent destruction of important palustrine fish and willdlife habitat. Continued threat from conversion of forested wetlands to agricultural land.

Cedar Key NWR - Protect feeding sites for colonial nesting birds (egrets, herons, cormorants, and others) that nest and roost at existing Cedar Keys NWR.

Bald Eagle - Continuation of acquisition at Bear Valley NWR. Largest bald eagle winter roost in lower 48 States. Threatened with logging and homesite development.

Lower Suwannee - Protect a unique, diverse river-delta estuary. At least 6 listed species are known to occur on the area. Pine monoculture conversion and residential and commercial development threaten wildlife values.

Mason Neck NWR - Complete public acquisition plan in order to protect bald eagle nesting and roosting values and provide compatible wildlife-oriented recreation. Housing developments threaten area.

Hawaiian Waterbirds - Designated Critical habitat for endangered Hawaiian coot and stilt. Acquisition will prevent adverse development and enable intensive management towards recovery.

Minnesota Valley NWR - Perpetuate natural wildlife resources, as well as provide opportunities for wildlife-oriented recreation and environmental education.

Trustom Pond NWR - Preserve an undeveloped tidal pond ecosystem and provide public use.

Wertheim NWR - Protect natural resources of the existing refuge, while allowing more public use opportunities.

Pahrump Killifish - Acquisition will enable protection of water supply to maintain species on Desert NWR. Housing developments threaten aquifer.

Land Acquisition Obligation Rate and Authority to Approve

13. **Question:** What has been the historical obligation rate since 1975 for land acquisition funds for the National Park Service? Submit for the record data for each year from 1975 to 1983 to date.

Answer: The obligation rate for National Park Service land acquisition funds for the period 1975 fiscal year through 1982 fiscal year averaged 83.5 percent of available funds. This is identified by year, including fiscal 1983 as of December 31, 1982, as follows:

Fiscal Year	Percent of Available Funds Obligated
1975	88.2
1976	99.4
1977	77.8
1978	91.4
1979	86.0
1980	93.3
1981	80.9
1982	51.2
1983 (as of 12/31/82)	6.2

14. **Question:** Why was authority withdrawn from the regional park offices to approve land acquisition and centralized in Washington? Has this meant that obligation rates have slowed down? In answering this question, indicate the average turnaround time for land acquisition by region and project in 1980, 1981, 1982 and 1983 to date. If there has been any change, indicate why.

Answer: The authority to accept offers to sell or to purchase was withdrawn due to concerns regarding the budgetary situation. The shift in the level of funding for land acquisition had created budget issues particularly in areas where the land acquisition program had been very active. In those areas a constant flow of appropriated funds had enabled us to meet court awards and obligations for condemnation/complaint actions as they arose. With the reduction in the level of funding for those and other areas and the receipt of several unanticipated awards in fiscal 1982, it was clear that there may not be sufficient funds at each area to meet anticipated court awards or settlements as they occurred.

In order to meet those commitments, it was necessary that the total funds set aside to cover outstanding and anticipated court awards be evaluated to ensure that sufficient money was available.

The authority was withdrawn by publication of a notice in the Federal Register on September 14, 1982. We have not been operating under that procedure for a sufficient period of time to say whether there is an impact on the obligation rate. Although there is no data by fiscal year, region or project, generally, acquisition or purchase is recognized as the culmination of a lengthy process, which includes mapping, surveying, obtaining title evidence and title opinions, appraising and negotiating. The process can be accomplished in as little as 6 months but usually takes longer. Its completion is entirely dependent on the landowner's willingness to sell, and the time or circumstances that make it advantageous to an owner to sell cannot be foretold.

Land Acquisition Grants to the States

15. Question: In FY 1983, the Congress appropriated over $70 million for grants to states for land acquisition. How much of this has been allocated? Do you or does the Administration have any plans to submit a rescission request for any of the remaining funds in FY 1983? If so, for how much?

Answer: The full amount appropriated for State Land and Water Conservation Fund grants, $70,619,000, was apportioned to the States on February 3, 1983, as shown in the table below. The standard L&WCF apportionment formula was used. I do not know of any plans to request rescission of these funds.

FISCAL YEAR 1983 APPORTIONMENTS TO STATES
FROM THE LAND AND WATER CONSERVATION FUND

State	Apportionments	State	Apportionment
Alabama	$1,215,704	New Hampshire	$698,719
Alaska	613,476	New Jersey	2,052,660
Arizona	1,056,499	New Mexico	746,120
Arkansas	883,500	New York	4,101,866
California	5,465,381	North Carolina	1,491,645
Colorado	1,107,220	North Dakota	645,607
Connecticut	1,175,392	Ohio	2,614,737
Delaware	658,551	Oklahoma	1,056,684
Florida	2,497,247	Oregon	1,010,360
Georgia	1,471,041	Pennsylvania	2,840,974
Hawaii	736,738	Rhode Island	747,464
Idaho	667,724	South Carolina	1,076,559
Illinois	2,742,621	South Dakota	635,180
Indiana	1,536,579	Tennessee	1,339,270
Iowa	977,249	Texas	3,266,113
Kansas	915,339	Utah	830,661
Kentucky	1,104,128	Vermont	617,866
Louisiana	1,275,889	Virginia	1,509,612
Maine	708,202	Washington	1,342,869
Maryland	1,399,574	West Virginia	830,473
Massachusetts	1,681,496	Wisconsin	1,380,317
Michigan	2,347,045	Wyoming	609,021

Minnesota	1,259,416	District of Columbia	222,803
Mississippi	883,100	Puerto Rico	957,086
Missouri	1,409,003	Virgin Islands	22,557
Montana	653,808	Guam	24,971
Nebraska	789,241	American Samoa	7,644
Nevada	707,999		

Apportioned to States	$70,619,000
Contingency Reserve	-0-
Total Appropriation	$70,619,000

Done at the city of Washington
the 3rd day of February 1983
as witness my hand and the Seal
of the Department of the Interior

sgd. James Watt
SECRETARY

Land Acquisition Rescission

16. Question: Do you or does the Administration have any plans to submit a rescission request for any of the Federal land acquisition funds under your jurisdiction and if so, for which projects?

Answer: The Department has no plans to submit rescission requests for any Federal land acquisition funds during FY 1983.

Land Acquisition Reprogramming

17. Question: Do you or does the Administration have any plans to submit any reprogramming requests for any of the Federal Land acquisition funds remaining from any fiscal year under your jurisdiction? If so, for which projects and with funds from which year?

BLM

Answer: No, we are not aware of any need for reprogramming requests during FY 1983 for BLM projects at this time.

NPS

A reprogramming request has been submitted to reprogram $9,327,790 from funds appropriated for Golden Gate National Recreation Area in fiscal 1982 to meet deficiencies in condemnation awards at Gulf Islands National Seashore, Redwood National Park and Sleeping Bear Dunes National Lakeshore. Further reprogramming requests are expected to meet anticipated deficiencies at Big Cypress National Preserve, Big Thicket National Preserve and Sleeping Bear Dunes National Lakeshore when deficiencies are known and sources of funds for reprogramming are identified.

FWS

Congress appropriated $200,000 in excess of land acquisition needs for the Alaska Maritime project. These funds are available for reprogramming purposes, however, no specific emergency reprogramming projects have been identified. If and when these funds are proposed for reprogramming, the guidelines established by the Appropriations Committees will be followed.

Land and Water Conservation Fund

18. Question: Have any funds appropriated from the Federal side of the Land and Water Conservation Fund to the National Park Service in fiscal year 1981, fiscal year 1982 or fiscal year 1983 been used for any purpose other than direct payments for the acquisition of land or for directly related costs such as appraisals, title insurance or the salaries and expenses of land acquisition personnel? If so, how much money was so used and what was the authority for such use?

Answer: Prior to and for fiscal 1981 funds were budgeted, appropriated and expended for personal services and related costs of the Lands Planning Group in the Heritage Conservation and Recreation Service. Funds in the amount of $831,000 were requested in the fiscal 1982 budget for the same purpose. Public Law 97-51, dated October 1, 1981, making continuing appropriations for fiscal year 1982, did not provide funds for continuing the functions performed by the Lands Planning Group. Since funds were not provided, action was taken to start moving out personnel on board. Because of the problems and delays associated with personnel transfers, about $229,000 was expended in fiscal 1982. Authority for such expenditures was based on past practice of using Land and Water Conservation funds to perform these functions in Heritage Conservation and Recreation Service prior to consolidation of functions in the National Park Service.

In fiscal 1983 we will not be charging any of the salaries to the Land Acquisition account.

Bogue Chitto and Tensas River NWR's

19. Question: In FY 1983 the Congress appropriated to the Fish and Wildlife Service $1 million for land acquisition at the Bogue Chitto National Wildlife Refuge and $5.2 million for land acquisition at the Tensas River National Wildlife Refuge. Have these funds been allocated and obligated? If not, when will they be allocated and when do you expect them to be obligated?

Answer: Apportionments of Federal lands acquisition funds to the Service were received on February 14, 1983, thus no obligations have occurred.

Control Schedules are currently being developed that will allocate apportionments to the Service's Regions. The $1 million for acquisition at Bogue Chitto National Wildlife Refuge is expected to be obligated within the last quarter of the Fiscal Year, probably in July. Funds for Tensas will be transferred to the Corps of Engineers to be merged with their appropriations for the project. Obligation of the $5.2 million will probably occur in March 1983.

Jean Lafitte National Historic Park

20. Question: In FY 1983, the Congress appropriated $2.5 million to the National Park Service for land acquisition at the Jean Lafitte National Historical Park.

Have these funds been allocated and obligated? If not, when will they be allocated and when do you expect them to be obligated?

Answer: The funds appropriated are available and to date $400,000 has been obligated. It is anticipated that the remainder of the funds will be obligated by the end of the fiscal year.

21. Question: In FY 1983, the Congress appropriated $2,171,000 for construction at the Jean Lafitte National Historical Park.

Have these funds been allocated? If not, when will they be allocated?

When do you expect these funds to be obligated?

Answer: The entire amount appropriated is available for construction at Jean Lafitte.

Construction contracts have not been awarded; however, we do expect to obligate by the end of the fiscal year.

22. Question: Does the NPS have the capability to use any additional construction funds for the completion of all construction planned in the General Management Plan for the Jean Lafitte Park? If so, how much could be used in FY 1984? If not, please indicate why not?

Answer: Yes. The National Park Service has the capability to use additional construction funds.

If funds were available, an amount of $1,046,000 could be used in fiscal 1984.

23. Question: Will any of these funds be used for any new construction project if a reprogramming request is sent up, or for any purpose other than those clearly defined by the Appropriations Committee as the guidelines for reprogramming (emergency work which could not be anticipated in planning for annual budget submissions)?

Answer: None of these funds will be used for new construction through a reprogramming request.

Land Protection Plans

24. Question: For many parks, new land protection plans are being prepared. Please indicate which units of the national park system fall into this category, when the LPP was begun, what the status of the LPP is and when it is expected to be completed.

For any units falling within this category, please indicate if any funds for land acquisition at the unit were appropriated in FY 1981, FY 1982 or FY 1983. If funds were appropriated, indicate if they or any part thereof have been obligated. If any funds remain, indicate why. Have the GMPs been submitted and when? When were the GMPs required by statute to be submitted.

Answer: A land protection plan is being prepared for each unit of the National Park System that contains non-Federal land within its authorized boundary. A training program on how to prepare these plans was held December 7-9, 1982, and each region is now getting the land protection process underway. In some cases completing the land protection plan may require relatively minor revisions to previous plans or expansion of information covered in the General Management Plan. The scope of work for each plan is currently being defined at the park and regional level.

Plans are being prepared for 198 areas. Those plans scheduled for earliest completion are for areas for which land acquisition funds have been appropriated or where protection of a resource is potentially critical. We have identified below the projected completion date of LPPs and the approval date of existing GMPs or in some cases Master Plans. The GMP is a broad conceptual plan and does not identify the specific means needed to provide for natural and cultural resource protection.

The following tabulation provides the projected completion date of the Land Protection Plans; the date the existing General Management Plan or Master Plan was approved; the amount appropriated in fiscal years 1981, 1982 and 1983; and the unobligated balance as of 12/31/82. Funds remaining will be used to pay deficiency awards as they occur and for discretionary land acquisition actions until Land Protection Plans are completed. Such acquisitions are being reviewed on a case-by-case basis to assure that acquisition proceeds in an orderly and timely manner as intended by Congress, that appropriated funds are used to protect high priority tracts and address hardships, emergencies and sites needed for administrative use, and that the interests to be acquired are those necessary to achieve unit purpose as established in authorizing legislation. Case-by-case reviews are being conducted in a timely manner to avoid unnecessary delays in the obligation of appropriated funds.

NPS Land Protection Plans by Unit

Area	Projected Completion Date of LPP	Date GMP or MP Approved	Amount Appropriated 1981, 1982, 1983	Unobligated 12/31/82
			(Thousands)	(Thousands)
Acadia NP, ME	04/85	12/64	$ 25	$ -
Adams NHS, MA	07/83	06/65	-	-
Agate Fossil Beds NM, NE	04/85	02/66	-	-
Alibate Flint QuarriesNM, TX	04/85	03/78	-	-
Allegheny Portage RRNHS, PA	09/83	03/79	479	1,668
Amistad NRA, TX	04/85	04/68	-	-
Andersonville NHS, GA	09/84	02/81	-	-
Aniakchak NPres., AK	09/85	-	-	-
Antietam NB,MD	09/83	1962	-	23
Apostle Islands NL, WI	09/83	10/72	967	19
Appalachian NS Trail, ME-GA	07/83	08/81	22,334	9,877
Appomattox Court House NHP, VA	09/83	09/77	-	2
Arches NP,UT	04/84	10/67	-	11
Assateague Island NS, MD-VA	09/83	01/82	-	48
Badlands NP, SD	12/84	01/82	1	-
Bandelier NM, NM	04/85	11/76	-	-
Bent's Old Fort NHS, CO	07/84	10/75	-	12
Bering Land Bridge NPres., AK	09/85	-	-	-
Big Bend NP, TX	12/84	01/80	-	-
Big Cypress NPres., FL	09/83	-	27,935	343
Big Thicket NPres., TX	07/84	08/80	12,656	1,618
Bighorn Canyon NRA, MT, WY	12/84	06/81	-	-
Biscayne NP, FL	04/83	02/79	5,820	5,768
Black Canyon of the Gunnison NM, CO	08/84	02/74	-	-
Blue Ridge Parkway, NC, VA	04/85	02/71	779	3
Boston African American NHS, MA	05/84	-	-	-
Boston NHP, MA	07/83	05/80	257	-
Bryce Canyon, NP, UT	10/84	05/67	-	-
Buffalo NRiver, AR	07/84	10/75	6,438	1,968
Canaveral NS, FL	09/83	-	-	-
Canyon de Chelly NM, AZ	04/85	07/58	-	-
Cape Cod NS, MA	05/84	10/70	8,981	3,487

NPS Land Protection Plans by Unit (Continued)

Area	Projected Completion Date of LPP	Date GMP or MP Approved	Amount Appropriated 1981, 1982, 1983 (Thousands)	Unobligated 12/31/82 (Thousands)
Cape Hatteras NS, NC	09/83	-	-	-
Cape Krusentern NM, AK	09/85	-	-	-
Cape Lookout NS, NC	09/83	-	2,000	2,000
Capitol Reef NP, UT	09/84	1967	-	-
Carlsbad Caverns NP, NM	04/85	02/75	-	-
Castillo de San Marcos NM, FL	09/84	1974	-	-
Chaco Culture NHP, NM	04/83	11/79	-	37
Channel Islands NP, CA	06/83	-	3,740	3,692
Chattahoochee River NRA, GA	04/83	-	13,920	47
Chesapeake and Ohio Canal NHP, MD, DC, WV	09/83	01/76	573	384
Chickamauga & Chattanooga NMP GA, TN	06/83	10/64	-	-
Chickasaw NRA, OK	07/84	11/80	-	1
Chiricahua NM, AZ	04/85	1967	-	-
Christiansted NHS, VI	04/85	11/62	-	-
Colonial NHP, VA	09/84	1970	-	12
Coronado NMem., AZ	06/84	09/76	-	-
Cowpens NB, SC	04/85	07/75	-	-
Cumberland Gap NHP, KY, VA, TN	09/84	03/79	-	-
Cumberland Island NP, GA	09/83	11/71	10,625	107
Cuyahoga Valley NRA, OH	09/84	02/77	18,045	7,268
Death Valley NM, CA, NV	04/85	-	9	43
Delaware Water Gap NRA, PA, NJ	09/83	1966	3,081	1,294
Denali NP, AK	09/85	-	-	-
DeSota NMem., FL	09/84	02/66	-	-
Dinosaur NM, CO, UT	11/84	1964	24	-
Ebey's Landing NHR, WA	11/83	-	4,421	1,994
El Morro NM, NM	12/84	01/65	-	-
Everglades NP, FL	09/84	08/79	207	26
Fire Islands NS, NY	07/83	03/67	500	399
Fort Caroline NM, FL	04/83	02/71	87	65
Fort Donelson NMilP, TN	04/85	01/65	11	5
Fort Frederica NM, GA	04/83	06/64	-	-
Fort Laramie NHS, WY	03/84	06/66	-	-

NPS Land Protection Plans by Unit (Continued)

Area	Projected Completion Date of LPP	Date GMP or MP Approved	Amount Appropriated 1981, 1982, 1983 (Thousands)	Unobligated 12/31/82 (Thousands)
Fort Pulaski NM, GA	09/84	06/71	-	-
Fort Raleigh NHS, NC	09/83	02/66	-	-
Fort Smith NHS, AR, OK	12/84	05/81	-	22
Fort Sumter NM, SC	09/84	09/74	368	368
Fort Union Trading Post NHS, ND, MT	05/84	07/78	-	26
Fort Vancouver NHS, WA	05/83	11/77	-	-
Fredericksburg & Spotsylvania NMP, VA	09/84	07/68	215	29
Friendship Hill NHS, PA	09/84	11/81	-	-
Gates of the Artic NP, AK	09/85	-	-	-
Gateway NRA, NY, NJ	05/84	09/79	-	2
George Washington Mem. Parkway, MD, VA	04/85	-	-	-
Georgia O'Keeffe NHS, NM	12/84	-	4	-
Gettysburg NMP, PA	09/84	1966	150	22
Glacier NP, MT	12/83	02/77	81	-
Glacier Bay NP, AK	09/85	-	-	-
Glen Canyon NRA, UT, AZ	04/85	11/79	-	-
Golden Gate NRA, CA	06/83	09/80	11,805	11,534
Golden Spike NHS, UT	03/84	12/78	50	5
Grand Canyon NP, AZ	06/84	06/76	-	36
Grand Teton NP, WY	10/83	03/76	435	177
Grant-Kohrs Ranch NHS, MT	01/84	02/80	49	47
Great Sand Dunes NM, CO	06/84	05/77	-	-
Great Smoky Mtns NP, NC, TN	02/83	03/82	1,510	1,508
Guadalupe Mountains NP, TX	04/85	10/76	-	-
Gulf Islands NS, FL, MS	09/83	09/78	3,700	3,212
Hamilton Grange NM, NY	04/85	09/68	-	-
Hampton NHS, MD	09/84	1968	-	6
Harpers Ferry NHP, MD, WV	04/85	1965	-	3
Haleakala NP, HI	04/85	-	-	4
Hawaii Volcanoes NP, HI	04/85	11/75	-	13
Herbert Hoover NHS, IA	09/84	02/78	-	-

NPS Land Protection Plans by Unit (Continued)

Area	Projected Completion Date of LPP	Date GMP or MP Approved	Amount Appropriated 1981, 1982, 1983 (Thousands)	Unobligated 12/31/82 (Thousands)
Minute Man NHP, MA	05/84	1966	-	11
Monocacy NB, MD	09/83	07/79	-	577
Montezuma Castle NM, AZ	04/85	08/75	-	-
Moores Creek NB, NC	09/84	01/69	89	4
Morristown NHP, NJ	07/83	11/76	-	3
Mound City Group NM, OH	09/83	11/65	-	-
Mount Rainier NP, WA	05/83	-	50	47
Natchez Trace Parkway, MS, TN, AL	09/83	1972	71	-
New River Gorge NR, WV	09/83	-	3,420	3,803
Nez Perce NHP, ID	09/83	10/67	-	-
Noatak NPres., AK	09/85	-	-	-
North Cascades NP, WA	08/83	11/70	-	86
Obed WSR, TN	04/83	-	68	996
Olympic NP, WA	09/83	10/76	10,340	9,725
Organ Pipe Cactus NM, AZ	04/85	1956	-	-
Ozark NSR, MO	04/95	07/66	-	-
Padre Island NS, TX	07/84	10/74	-	-
Palo Alto Battlefield NHS, TX	12/84	-	-	-
Pea Ridge NMP, AR	04/85	10/63	-	1
Petersburg NB, VA	09/83	1965	-	-
Pictured Rocks NL, MI	09/84	08/81	28	2
Piscataway Park, MD	04/85	-	346	-
Point Reyes NS, CA	06/83	09/80	-	-
Prince William Forest Park, VA	04/85	1964	3,288	3,085
Redwood NP, CA	04/85	04/81	3	-
Richmond NBP, VA	09/84	10/71	124	97
Rocky Mountain NP, CO	12/83	01/76	-	-
Ross Lake NRA, WA	02/84	11/70	15	-
Saguaro NM, AZ	04/85	1966	-	-
St. Croix Island NM, ME	07/83	05/72	1,235	21
St. Croix NSR, WI, MN	09/83	08/76	-	14
Saint-Gaudens NHS, NH	04/85	1973	-	-
Salem Maritime NHS, MA	07/83	1975	-	-
Salinas NM, NM	04/83	-	-	7

NPS Land Protection Plans by Unit (Continued)

Area	Projected Completion Date of LPP	Date GMP or MP Approved	Amount Appropriated 1981, 1982, 1983 (Thousands)	Unobligated 12/31/82 (Thousands)
Home of Franklin D. Roosevelt NHS, NY	07/83	03/77	-	-
Homestead NM of America, NE	04/85	10/64	-	-
Hot Springs NP, AR	07/84	08/78	485	113
Independence NHP, PA	09/85	06/71	5	-
Indiana Dunes NL, IN	09/83	02/80	3,888	1,626
James A. Garfield NHS, OH	04/85	-	205	205
Jean Lafitte NHP, LA	04/83	04/82	6,450	2,509
John Day Fossil Beds NM, OR	09/83	07/79	-	158
Johnstown Flood NMem, PA	09/83	03/79	-	-
Joshua Tree NM, CA	04/85	08/64	148	13
Kalaupapa NHP, HI	04/85	04/81	-	-
Kaloko-Honokohau NHP, HI	06/83	-	-	85
Katmai NP, AK	09/85	-	-	-
Kenai Fjords NP, AK	09/85	-	-	-
Kennesaw Mountain NBP, GA	04/85	04/67	-	-
Kings Canyon NP, CA	06/84	1971	424	-
Klondike Goldrush NHP, AK	09/85	09/76	49	-
Kobuk Valley NP, AK	09/85	-	-	-
Lake Chelan NRA, WA	08/84	11/70	-	-
Lake Clark NP, AK	09/85	-	-	-
Lake Mead NRA, AZ, NV	10/83	-	-	68
Lassen Volcanic NP, CA	06/84	03/81	5,539	615
Lincoln Boyhood NMem., IN	09/85	09/81	-	-
Lincoln Home NHS, IL	09/83	02/70	-	-
Lowell NHP, MA	07/83	11/81	-	527
Lower St. Croix NSR, MN, WI	09/83	02/76	960	672
Lyndon B. Johnson NHS, TX	12/84	12/76	-	-
Maggie L. Walker NHS, VA	09/84	-	-	-
Mammoth Cave NP, KY	09/84	09/77	2	2
Manassas NBP, VA	09/83	1966	-	-
Martin Luther King, Jr., NHS, GA	04/83	-	515	515
Martin Van Buren NHS, NY	07/83	02/70	-	-
Mesa Verde NP, CO	01/85	05/79	-	-

NPS Land Protection Plans by Unit (Continued)

Area	Projected Completion Date of LPP	Date GMP or MP Approved	Amount Appropriated 1981, 1982, 1983 (Thousands)	Unobligated 12/31/82 (Thousands)
San Antonio Missions NHS, TX	02/83	-	1,344	1,286
San Juan NHS, PR	04/85	02/65	-	-
Santa Monica Mountains NRA, CA	06/83	-	11,040	2,993
Saratoga NHP, NY	05/84	01/69	75	8
Scotts Bluff NM, NE	09/83	07/64	231	7
Sequoia NP, CA	06/83	01/71	2	534
Sewell-Belmont House NHS, D.C.	04/85	-	-	-
Shenandoah NP, VA	09/84	1967	1	-
Shiloh NMP, TN	09/84	11/81	-	-
Sitka NHP, AK	09/83	02/66	-	3
Sleeping Bear Dunes NL, MI	09/83	10/79	3,804	-
Springfield Armory NHS, MA	07/83	06/71	-	-
Theodore Roosevelt NP, ND	03/85	-	-	-
Thomas Stone NHS, MD	09/85	-	-	3
Tumacacori NM, AZ	04/85	08/75	-	-
Tuskegee Institute NHS, AL	04/85	11/78	-	-
Tuzigoot NM, AZ	04/85	08/75	-	8
Upper Delaware SRR, NY PA	09/83	-	576	291
Valley Forge NHP, PA	09/83	-	3,840	3,398
Vicksburg NMP, MS	09/84	04/80	-	-
Virgin Islands NP, VI	12/83	1965	3,408	88
Voyageurs NP, MN	09/83	06/79	6,395	3,043
Walnut Canyon NM, AZ	04/85	1958	-	-
War in the Pacific NHP, GU	06/83	-	-	-
Whiskeytown NRA, CA	04/85	06/76	2	-
White Sands NM, NM	04/85	12/75	-	-
William Howard Taft NHS, OH	09/83	01/81	-	-
Wilson's Creek NB, MO	09/84	03/77	-	-
Wind Cave NP, SD	02/85	02/62	5	5
Women's Rights NHS, NY	04/85	-	-	-
Wrangell-St. Elias NP, AK	09/85	-	32	1
Yellowstone NP, WY, MT, ID	02/84	06/74	-	-
Yosemite NP, CA	06/84	12/80	131	40

NPS Land Protection Plans by Unit (Continued)

Area	Projected Completion Date of LPP	Date GMP or MP Approved	Amount Appropriated 1981, 1982, 1983 (Thousands)	Unobligated 12/31/82 (Thousands)
Yukon-Charley RPres., AK	09/85	-	-	-
Zion NP, UT	02/84	01/77	55	3

Land Protection Plans

25. **Question:** How are the Land Protection Plans being funded - indicate source and authority.

Answer: Preparation of land protection plans is considered part of the regular responsibilities of involved park and regional staff. As was the case with land acquisition plans, necessary personnel and funding will be provided from regular planning and operating functions and accounts. Technical assistance in the preparation of these plans is being provided by Land Resources Division personnel whose salaries are paid out of the Land and Water Conservation Fund.

Redwood National Park

26. **Question:** What is the status of the Redwoods litigation? Please give a brief history of this project and the surrounding litigation and indicate what the funding requirements of the court action are likely to be. Do you plan to submit a supplemental to cover any expected costs? If not, what are your plans for covering any expected costs?

Answer: Redwood National Park was established by the Act of October 2, 1968, with a gross area of some 58,000 acres. This Act provided for a legislative taking of most of the authorized lands. Claims for reimbursement for the lands legislatively taken by the 1968 Act have been settled.

The Act of March 27, 1978 provided for a 48,000-acre expansion of the park with, again, most of the lands in the expansion area acquired by legislative taking. To date, $320 million has been deposited with the courts for lands taken from the Big 3 Timber Companies - Louisiana-Pacific, Arcata and Simpson - as well as 15 smaller landowners. Settlements have been reached with all of the smaller landowners. The Department has estimated that appraisals of the Big 3 lands will be completed by May 1983, and trials will begin in the fall.

Until the appraisals are received and approved and the magnitude of additional fund needs is known, no decision can be made on the method of securing any additional funds that may be required.

Regulations for Implementation of Section 110 of P.L. 97-394

27. **Question:** What is the status of the regulations required to be prepared by the Secretary for the implementation of Section 110 of P.L. 97-394?

Answer: This is an amendment to Section 1002 of ANILCA dealing with data disclosure of the geological and geophysical information gathered from the coastal plain of the Arctic National Wildlife Refuge, Alaska. The regulations will be published as an Appendix to the final EIS on the Proposed Oil and Gas Exploration Program for the Arctic National Wildlife Refuge. The regulations are expected to be finalized 30 days after the publication of the final EIS. The final EIS will be available for public review March 4, 1983.

Rocky Mountain National Park

28. Question: In P.L. 97-394, the Department was directed "to consult and cooperate with other entities in seeking creative forms of acquisition on favorable terms" of the McGregor Ranch for addition to the Rocky Mountain National Park. What has been done to date and what is the status of these efforts? Do you expect to find a way to complete this project in FY 1983?

Answer: An offer to sell in the amount of $4,065,865 has been obtained for 11.52 acres in fee, 4.01 acres in trail easement and for a restrictive easement on 1,221.05 acres. The offer to sell has not been accepted. No funds have been requested for land acquisition in this area in fiscal 1983.

In a desire to protect the natural resources of the ranch area, the National Park Service has been pursuing ways other than direct fee purchase with appropriated funds, and is looking at alternative methods of acquiring some protective interest in the land.

The Bureau of Land Management State Director for Colorado has been contacted and has assured the Service of their willingness to work with a qualified third party in locating Bureau of Land Management lands suitable for disposal and exchange.

In September 1982, the Director of the Rocky Mountain Region wrote to Mr. Cox of the Atlantic Richfield Company concerning the ranch land. The company was asked to contact the Service if it or one of its subsidiaries would be in a position to assist in such an exchange. The company has since indicated that it is not interested.

The Service will continue to contact other companies that may be interested in a land exchange.

Outer Continental Shelf (OCS) Receipts

29 Question: Last year in the annual budget submission, the Administration estimated that OCS sales would bring in over $15 billion, while CBO's estimate of the Administration's program indicated that receipts would be considerably less, or about $11.7 billion. We debated this estimate heatedly, and you ultimately wrote a letter to the Chairman of the Budget Committee insisting that the $15 billion was correct and should be used.

I now see the current Administration estimate for FY '83 OCS receipts is $11.7 billion, or just about what CBO indicated that they would be.

I am again concerned that OCS receipts have been overestimated by the Administration. Despite the fact that three fewer lease sales are contemplated in FY '84 than in FY '83 (7 vs. 10), the Administration's estimate is $11.9 billion, or about $200 million more than in FY '83.

In light of the reduced number of lease sales, many of which are in frontier areas, and the substantially reduced price of oil; how can you justify the FY '84 estimate? What can you tell us about the basis upon which it was made which will lend it some credibility?

Answer: The FY 1984 budget documents estimate OCS revenues as follows:

(dollars in billions)

	FY 83	FY 84
Rents and Bonuses	$ 8.3	$ 7.1
Royalties	3.5	4.0
Escrow Payout	---	0.8
	$ 11.8	$ 11.9

These estimates are highly uncertain and are based on a complex and fluid set of variables. Therefore, any single point estimate is subject to significant change over time as the determining factors such as evaluation results, new geologic data, energy prices, and industry cash availability vary.

In some areas, Alaska in particular, there is a high-cost for developing offshore oil fields, therefore, a small change in short term oil price expectations can have a large effect on bonus estimates. For example, assuming a 1% annual real oil price increase, this year's estimate of bonuses in Sales 71 and 87 would have been similar to last years estimate of about $3 billion and $1.5 billion, respectively. However, because of the expectation of a softer market for oil supplies, we assumed a real annual oil price increase of 0.5%. This resulted in a one-third reduction in the sale specific bonus estimates, which turned out to be right on the mark for Sale 71.

Energy Prices

It must be recognized that our assumption concerns not just lower prices over the next six to nine months but perhaps more importantly, the average price trend over future years.

Judgments about the effect of a drop in the price of oil depend on whether bidders perceive that the drop is caused by temporary market forces or by a more permanent and fundamental change in the world market. We cannot know in advance which assumption is correct.

If the drop in price is a short-term adjustment in oil prices, the price should rebound within two to three years, and there would be no significant effect on the bonuses received from OCS sales during that period. The reason is that the value of the oil and gas resources being offered is not dependent on its expected short-term or current price, but on the price at the time of production, which does not begin for five to ten years after sale. Therefore, aside from the cash-flow effects of a reduction in revenues to the oil industry, which is very difficult to determine, the response to these sales should not be substantially affected. A short-term drop in oil prices would not have a substantial effect on estimates of bonus receipts from future sales.

Exploration results. Recent drilling results in the North Atlantic OCS have been notably disappointing. This has led to a severe downward adjustment in expected resources, which accounts for virtually all of the decline from last year's projected bonus receipts from that North Atlantic sale.

A major cause of variation in the aggregate bonus estimates is attributable to the Central and Western Gulf of Mexico area-wide sales. During research conducted in 1982 in support of the development of the 5-Year OCS Oil and Gas Leasing Schedule, evaluations were made about the magnitude of the Gulf of Mexico's potential resources, the distribution of the resources among geologic structures, and the rates at which these resources could be expected to be discovered. This analysis supported previous findings with regard to the aggregate size of the resource base by geographic area. However, both the size of the remaining individual structures and the rates at which resources were likely to be discovered were found to be lower than had been previously suggested. This resulted in a downward adjustment in estimates of leasing rates and the value of each barrel leased, and in conjunction with the dampening of future oil price expectations, led to a substantial downward modification in the bonus estimates for sales in the Gulf of Mexico regions.

Sale schedule. Virtually all of the differences between the aggregate number in the FY 1984 and FY 1983 budget documents can be accounted for in three sale areas: Beaufort Sea (Diapir Field Sales 71 and 87), North Atlantic Sale 52, and the Gulf of Mexico (Areawide Sales 72, 74, 81, and 84).

The $2.0 billion difference between estimated and actual rents and bonuses for FY 1982 is accounted almost completely by differences between estimated and actual bonus receipts for two sales--Sale 52 in the North Atlantic and Sale 71 in the Diapir Field in Alaska.

Sale 52 was rescheduled from August 1982 to March 1983 and Sale 71 was actually held in October 1982 rather than in September, resulting in a transfer of the estimated bonuses from those sales from FY 1982 to FY 1983.

Additionally, Sale 71 produced about 2/3 of the bonuses we originally estimated from that sale. Our original estimate in the FY 1983 budget document was based on existing oil prices at the time it was made. A later estimate, using a revised lower assumption for oil prices, produced an estimate very close to the actual result. Therefore, it can be seen that as critical factors change, it is necessary to update OCS receipt estimates frequently.

States with Approved AML Programs

30. Question: States with regulatory primacy must have an Abandoned Mine Land (AML) reclamation program. How many State AML programs have been approved? Which States do not have an approved AML program? When do you expect that these programs will be approved?

Answer: It is not correct that States with regulatory primacy "must have an AML program." States must have regulatory primacy to be eligible for a State AML program, but could elect not to have such a program. We currently have 19 States with approved AML programs and 6 other States which are or soon will be eligible for programs. These are shown below:

AML Reclamation Programs

States Approved	States Not Approved	Expected Approval
Alabama	Alaska	FY 84
Colorado	Arkansas	FY 83 - 3rd Qtr.
Illinois	Iowa	FY 83 - 3rd Qtr.

Indiana	Louisiana	No indication
Kansas	Mississippi	No indication
Kentucky	Utah	FY 83 - 4th Qtr.
Maryland		
Missouri		
Montana		
New Mexico		
North Dakota		
Ohio		
Oklahoma		
Pennsylvania		
Tennessee		
Texas		
Virginia		
West Virginia		
Wyoming 1/		

1/ Approval (effective February 14, 1983) to be announced in Federal Register

Surface Mining Reclamation and Enforcement

31. Question: Interior is recommending increased funding for the Surface Mining Reclamation and Enforcement Program -- a total of $231.5 million which is an overall increase of $66.8 million from 1983. Which States have Federal regulatory programs as opposed to State regulatory programs? What is the breakdown of funding received by the States with a Federal program? Which states have a Federal reclamation program rather than a State program? What is the breakdown of funding among these States?

Answer: Four States - Alaska, Georgia, Michigan and Oregon - have Federal regulatory programs. Alaska is expected to receive State program approval this year. New Federal regulatory programs are expected in California, Idaho, Massachusetts, Nevada, North Carolina, Rhode Island, South Dakota, and Washington. Federal programs apply the coal exploration, permitting and performance standards of the Act. The Office of Surface Mining directly administers these programs with funding of $282,000 in Fiscal Year 1983. States under a Federal regulatory program receive no Federal funds for operation of either permanent regulatory or reclamation programs. They may, however, receive grants or cooperative agreements for program development. OSM has $277,000 available for regulatory program development grants to the States in Fiscal Year 1983.

Priority 1 and Priority 2 reclamation projects (as defined in Section 403 of SMCRA) are undertaken by OSM in States without approved reclamation programs and on tribal lands. In Fiscal Year 1983, high priority projects will be developed and construction activities initiated in Georgia, Michigan, Utah and Washington. Federal personnel will also work with State and local officials in Alaska, California, and Rhode Island to identify high priority projects and initiate project planning.

As of January 31, 1983, projects have been initiated in three States with Federally administered abandoned mine reclamation programs (Alaska, Arkansas and Iowa) totalling $335,800 in obligations. Also, in Rhode Island, Arkansas and Utah, projects totalling $294,000 are planned to start construction this fiscal year.

In addition, OSM's Fiscal Year 1983 Appropriation was increased by $1,000,000 by the Congress to accomplish eligible high priority coal and non-coal projects in States that do not have approved abandoned mine reclamation programs.

State	Funds Obligated	Funds Planned	Total
Alaska	67,000		67,000
Arkansas	129,100	95,000	224,100
Iowa	139,700		139,700
Rhode Island		100,000	100,000
Utah		99,000	99,000
Undistributed		1,000,000	1,000,000
Total	335,800	1,294,000	1,629,800

32. Question: In 1982, the first allocation of grant money from the Abandoned Mine Reclamation Fund was made to some states with approved abandoned mine programs. How much money remains in the Abandoned Mine Reclamation Fund to be authorized and appropriated to the States?

Answer: Two States, Montana and West Virginia, received initial funding in Fiscal Year 1981. At the beginning of Fiscal Year 1983, the unappropriated balance of the AML Fund was $513.4 million. Of this total, $359.6 million constitutes the States' Share, and $153.8 million constitutes the Secretary's Discretionary Share.

OCS Receipts

33. Question: Mr. Secretary, on the first page of your prepared statement, you point out that receipts from oil and gas leasing on the Outer Continental Shelf will total $11.9 billion in FY 1984. As you will recall, the FY 1982 budget estimated receipts from the oil and gas leasing program on the OCS at $18 billion in FY 1983. That estimate was lowered to $15.3 billion at mid-year and now in this budget I see that the FY 1983 estimate has been lowered again to $11.9 billion.

I am concered about the credibility of the Department's estimates of receipts for this year given the fact that you overestimated that amount last year by almost 35%.

What can you tell us about this disparity?

Answer: Fiscal Year budget receipts were estimated by adjusting bonus receipts over a 3-month period to reflect the expected bid acceptance process and the time required before leases are executed. The 8(g) escrow proportions were based upon the most recent resource estimates available. Royalty receipt estimates were based upon projections of production and prices.

Even though there were three fewer sales scheduled in FY 1984, bonus receipts were estimated to be only 12 percent lower. This is largely due to the fact that some receipts from the FY 1983 sales would be received in FY 1984. Increases in royalties and escrow payments for FY 1984 more than balanced the lower bonus estimates so that total receipts were slightly higher.

Finally, with respect to lower oil prices, it must be recognized that our assumption concerns not just lower prices over the next 6 to 9 months, but perhaps more importantly, the average price trend over future years.

Judgments about the effect of a drop in the price of oil depend on whether bidders perceive that the drop is caused by temporary market forces or by a more permanent and fundamental change in the world market. We cannot know in advance which assumption is correct.

If the drop in price is a short-term adjustment in oil prices, the price should rebound within 2 to 3 years, and there would be no significant effect on the bonuses received from OCS sales during that period. The reason is that the value of the oil and gas resources being offered is not dependent on its expected short-term or current price, but on the price at the time of production, which does not begin for 5 to 10 years after sale. Therefore, a short-term drop in oil prices probably would not have a substantial effect on estimates of bonus receipts from future sales.

Budget-Related Legislative Initiatives

34. Question: Mr. Secretary, what major budget-related legislative initiatives can we expect the Department to transmit to the Committee in the 98th Congress?

In this regard, would you please provide the Committee with a list of those legislative items that you are recommending for inclusion in the FY 1984 Interior Appropriations bill; e.g., fee increases, cost recovery proposals, etc.

Answer: There are no major budget-related legislative initiatives to be transmitted to the Committee in the 98th Congress.

The following is a list of legislative items that the Department is recommending for inclusion in the FY 1984 Interior Appropriations bill:

(In thousands of dollars)

	Existing Authorization	Expiration Date	Amount Requested in Budget
I. Continuing Programs:			
BUREAU OF LAND MANAGEMENT			
Management of Lands and Resources-MLR (except Firefighting)	P.L. 95-352	9/30/82	347,813

(In thousands of dollars)

	Existing Authorization	Expiration Date	Amount Requested in Budget
I. Continuing Programs (Cont'd.)			
Withdrawal Processing ($10,000 in MLR amount)	P.L. 94-579	Until Expended	(1,029)
Withdrawal Review ($10,000 in MLR amount) 1/	P.L. 94-579	Until Expended	(2,500)
Construction and Access	P.L. 95-352	9/30/82	1,200
Land Acquisition	P.L. 95-352	9/30/82	130
Payments in Lieu of Taxes	P.L. 95-352	9/30/82	96,320
PUREAU OF RECLAMATION			
Construction Program: San Luis Valley Project, Ca., Closed Basin	P.L. 92-514 & P.L. 96-375	-- --	869
FISH AND WILDLIFE SERVICE			
Wetlands Loan Act	P.L. 87-383	9/30/83	--
Amendments to the Migratory Bird Hunting and Conservation Stamp Act	P.L. 95-552	--	[illegible],000
NATIONAL PARK SERVICE			
John F. Kennedy Center for the Performing Arts	P.L. 97-202	9/30/83	4,342
II. New Program Authority:			
FISH AND WILDLIFE SERVICE			
Amendments to the Federal Columbia River Transmission System Act (Lower Snake River Compensation Fund)	P.L. 93-454	--	2,628

1/ May exceed $10,000 in FY 1984 by about $1,000. An estimated $8,400 will be obligated through FY 1983.

(In thousands of dollars)

	Existing Authorization	Expiration Date	Amount Requested in Budget
NATIONAL PARK SERVICE			
Park Entrance Fees	--	--	(51,000)[2]
GEOLOGICAL SURVEY			
Digital Cartography Revolving Fund	None	--	6,028
TERRITORIAL AND INTERNATIONAL AFFAIRS			
Administration of Territories Guam Construction	P.L. 97-357	9/30/83	4,038
Insular Development Bank	None	--	2,000

III. Proposed Termination:

	Existing Authorization	Expiration Date	Amount Requested in Budget
GEOLOGICAL SURVEY			
Transfer of Barrow Gas Fields	P.L. 94-258	None	--

---

[2] Represents estimated receipts in FY 1984 resulting from proposed legislation. These receipts will be requested for use as part of the FY 1985 appropriation for operation of the National Parks.

Land Sales

35. Question: Mr. Secretary, I notice that there is no mention in your prepared statement about the Administration's program to dispose of portions of the public lands. Can you tell us about the assumptions in this year's budget relative to land sales?

Answer: The FY 1984 Budget proposes a program of land sales of up to 250,000 acres from the 2.5 million acres of BLM managed public lands that have been tentatively identified for disposal.

The planned land sales will be conducted in accordance with the criteria for land disposal established in Section 203 of the Federal Land Policy and Management Act. Under the Act, the following kinds of lands may be disposed of:

- tracts that because of their location or other characteristics are difficult and uneconomic for the government to manage;
- tracts acquired for a specific purpose and no longer needed for that reason; and
- tracts which, if disposed of, will serve important public objectives such as:
  - community expansion; and
  - economic development.

Question: 35 a How much land was sold last year under the Asset Management program?

Answer: No lands were sold in either FY 1982 or FY 1983 under the Asset Management program. Under normal FLPMA land sales authority the BLM sold 1,492 acres in FY 1982, in FY 1983, approximately 29,400 acres will be offered for sale. Under P.L. 94-586 (Santini/Burton) 35 acres were sold in FY 1982. In FY 1983, 700 acres will be offered.

Question:35 b How much revenue was generated?

Answer: In FY 1982, revenue from regular FLPMA public land sales was $637,000 and in FY 1983, we estimate receipts of $10,000,000 from FLPMA lands sales. None of this is under the Asset Management program. Revenue from Santini/Burton sales in FY 1982 was $427,000. In FY 1983, we estimate $22,400,000 of sales under this program. For FY 1984, the sale value of the 250,000 acres is estimated at $300,000,000.

Question:35 c Do you plan to seek any new legislative authority in this regard?

Answer: No, new authority is required or requested for the sale of lands. The Administration, through OMB or the Treasury Department, is proposing to submit legislation to permit dedicating the receipts of such sales to retirement of a portion of the national debt.

Question:35 d If so, what kind?

Answer: Current law provides that revenue received from public land sales be deposited in different accounts, with a portion going in the General Fund of the U.S. Treasury, a portion for the Reclamation Fund and a portion for distribution to the States. Legislation will be proposed to dedicate the proceeds of future sales beginning in FY 1984 to an account to be used solely for retirement of the national debt.

Cost Recovery Program

36. Question: Would you please elaborate on the Department's proposal, outlined on page 5 of your prepared statement, to deduct the costs for collecting mineral revenues and the payments in lieu of taxes programs from the states' share of mineral receipts?

Answer: The Department is proposing that, beginning in FY 1984, the relevant costs of the Minerals Management Service's (MMS) royalty management program ($24.5 million) be deducted from Federal onshore mineral leasing receipts before such receipts are distributed between the Treasury and the States. This would ensure that the beneficiaries of such receipts equitably share in the cost of their collection. It is also proposed that amounts equivalent to the FY 1984 requests for payments in lieu of taxes programs administered by the Bureau of Land Management ($96.3 million) and the Fish and Wildlife Service ($5.8 million) be deducted in similar fashion. This proposal is reflected in the proposed appropriation language for MMS's Minerals and Royalty Management account, and in the estimates of the permanent appropriation for Payments to States from Receipts under the Mineral Leasing Act.

36 a. How much less money will the states receive in FY 1984 under this plan?

The following table presents the estimated impact of this proposal in FY 1984 on the States that receive a share of Federal onshore mineral leasing receipts. The large increase in estimated FY 1984 payments (prior to cost recovery) is due primarily to provisions of the Federal Oil and Gas Royalty Management Act of 1982 requiring that, effective October 1, 1983, these payments be made monthly rather than semi-annually as before. This results in a large one-time increase in FY 1984 when payments covering 17 months of receipts will be made. Estimated payments to Alaska (prior to cost recovery) are computed separately and are based on current projections of increased leasing in the National Petroleum Reserve-Alaska and other areas. The estimated FY 1984 payments (prior to cost recovery) to other States are pro rata allocations of the national total, based upon actual payments in FY 1982.

Payments to the States Under the Mineral Leasing Act

(Dollar amounts in millions)

	FY 1982 Actuals	FY 1983 Estimates	FY 1984 Estimates		
			Payments Prior to Cost Recovery	Less: Cost Recovery Allocations	Net Payments After Cost Recovery
Alabama	.16	.15	.29	.02	.27
Alaska	23.00	65.84	87.21	4.49	82.72
Arizona	5.25	5.02	9.85	.51	9.34
Arkansas	21.62	20.68	40.55	2.09	38.46
California	29.76	28.46	55.82	2.88	52.94
Colorado	37.99	36.34	71.26	3.67	67.59
Florida	.07	.06	.12	.01	.11
Idaho	3.98	3.81	7.47	.38	7.09
Kansas	.64	.62	1.21	.06	1.15
Louisiana	.75	.72	1.41	.07	1.34
Michigan	.06	.06	.11	.01	.10
Mississippi	.04	.04	.08	--	.08
Montana	15.51	14.83	29.09	1.50	27.59
Nebraska	.16	.15	.29	.01	.28
Nevada	11.47	10.96	21.51	1.11	20.40
New Mexico	151.70	145.08	284.52	14.66	269.86
North Dakota	4.61	4.40	8.64	.45	8.19
Oklahoma	2.53	2.42	4.75	.24	4.51
Oregon	1.50	1.43	2.81	.14	2.67
South Dakota	.78	.75	1.46	.08	1.38
Utah	75.43	72.13	141.46	7.29	134.17
Washington	.09	.09	.17	.01	.16
Wyoming	148.99	142.49	279.44	14.40	265.04
Totals	536.09	556.53	1,049.52	54.08	995.44

The total impact of this cost recovery proposal on FY 1984 payments to the States ($54.1 million) is less than the amount proposed to be deducted from mineral leasing receipts ($126.6 million) for three reasons:

1. The State share of receipts, and therefore of these costs, is generally 50 percent.

2. Pursuant to various laws, about 6 percent of Federal onshore mineral leasing receipts collected by MMS are passed through to other Federal agencies. While States share in some of these receipts (usually at substantially less than 50 percent), those State payments do not go through this permanent appropriation.

3. The proposal is to deduct FY 1984 costs from FY 1984 receipts. Since payments covering 1 month of FY 1984 receipts will not be made until FY 1985, about 9 percent of the FY 1984 costs will not be recovered until FY 1985.

The net result of these factors is that the reduction in FY 1984 payments to the States ($54.1 million) is about 43 percent of FY 1984 costs ($126.6 million). This will rise to about 47 percent in FY 1985 when 12 months of receipts will be affected.

The allocation among the States of the amount to be recovered in FY 1984 is essentially the same as the allocation of estimated payments prior to cost recovery. Different bases for allocating the costs of royalty management (e.g., the number of producible leases in each State) are being reviewed. Actual allocations to a State during FY 1984 will depend upon actual receipts, costs and related data.

Question: 36 b. Does the Department plan to re-submit its proposed amendments to the Payment-in-Lieu-of-Taxes Act or does this "cost recovery" proposal take its place?

Answer: The Department does not plan to resubmit its proposed amendment to change the PILT payment formula. Under the cost recovery proposal discussed above, somewhat less than 50 percent of the amounts being requested for PILT payments will be "offset" by reductions in payments to the States from Federal onshore mineral leasing receipts.

Budget-Related Legislative Issues

37. Question: Mr. Secretary, what major budget-related legislative initiatives can we expect the Department to transmit to the Committee in the 98th Congress?

Answer: There are no major budget-related legislative initiatives to be transmitted to the Committee in the 98th Congress.

Grazing Fees

38. Question: Mr. Secretary, at a time when your Department is emphasizing the need to maximize the recovery of costs whenever possible, I notice that grazing fees paid by those who graze livestock on the public's lands have decreased over the past year.

Does the Department plan to propose legislation during this Congress to amend that statutory fee formula to help ensure maximum return to the Government?

Answer: The Department has no plans to introduce legislation during this Congress to amend the statutory fee formula.

The Public Rangelands Improvement Act of 1978 (PRIA) established the current grazing fee formula. The PRIA formula was established on a 7-year trial basis to allow time to improve the data on the value of the public lands for grazing and to study the impact of tying the formula to beef cattle prices. A report to Congress is due in FY 1985 on the evaluation of the PRIA formula, other grazing fee options, and recommendations for a grazing fee schedule for grazing year 1986 and subsequent years.

The BLM and the Forest Service have jointly initiated a review and evaluation of the grazing fee formula to meet the statutory requirement. Four studies are on-going: 1) an in-house appraisal of fair market rental value of public grazing lands in comparison to private grazing lands. This study began in June 1982 and will be completed by June 1984; 2) Colorado State University is conducting a study of other grazing fee systems being used by State and local governments and Federal agencies in the 16 western States; 3) the Department of Agriculture, Economic Research Service will use the results of these studies to evaluate the effects of alternative fee systems on the livestock industry and industry dependent communities; and 4) the BLM and the Forest Service are studying the indices used in the PRIA formula to determine if they can be improved.

Until the results of these studies are evaluated, it would be inappropriate to propose any legislation to change the fee formula.

State Grant Programs

39. Question: Would you provide for the record a table showing the amount requested by the Administration in FY 82, 83 and 84 for the 3 state grant programs (Land and Water Conservation Fund, Historic Preservation Fund, and Urban Parks program) and the amount actually approved by the Congress in FY 1982 and 1983?

Answer: The following table includes the information requested:

Grant Funds ($000)

	FY 1982		FY 1983		FY 1984
	Proposed	Actual	Proposed	Actual	Proposed
Land and Water Conservation Fund	--	--*	--	70,619*	--
Historic Preservation Fund	4,600	25,440	--	26,000	--
Urban Park and Recreation Recovery	--	7,680	--	--	--

* In both fiscal 1982 and 1983, $4,481,000 was appropriated from the Land and Water Conservation Fund account for the administration of State Assistance grants. In fiscal 1983 the $4,381,000 for administration added to the grant funds amount equals a total of $75 million.

Park Service Construction

40. Question: Mr. Secretary, I see that the Park Service construction budget has been significantly reduced in FY 1984. While I understand that this is a result of funds being made available to the Agency from the Highway Trust Fund pursuant to the Surface Transportation Act of 1982, I am concerned about the long range implications of this cut.

40 a. Can we realistically expect the budget in this area to increase when these funds from this short-term highway improvement program are no longer available in FY 1985? Isn't it more likely that the National Park Service will have to live with this substantial reduction long after the authority under this new program has expired?

Answer: The reduction in the National Park Service's construction budget request for fiscal 1984 is related to the establishment of the Federal Lands Highway Program. This new program will make $100 million available for park road and bridge construction in fiscal 1984. If this $100 million is considered together with the National Park Service's fiscal 1984 construction request, the total represents a substantial increase in park construction funding. In addition, the Federal Lands Highway Program authorizes $100 million for both FY 1985 and FY 1986 from Park roads.

With respect to the long-range implications of the Highway Improvement Program on future National Park Service construction requests, I am confident that the Office of Management and Budget and the Congress are fully aware that in order to maintain a level program the Park Service's construction budget would have to be increased substantially to compensate for funds provided under the Federal Lands Highway Program, once the program's authority expires, beginning in FY 1987.

Increased Fee Collection

41. Question: What assumptions are contained in the FY 1984 budget request of the Interior Department with regard to increased fee collections? Do you intend to seek any new legislative authority in this regard? If so, what kind of new authority will you be requesting from the Congress?

National Park Service

Answer: 41a. The fiscal 1984 budget request for the National Park Service is based on a number of assumptions with regard to increased recreation fees. The Service is requesting an additional $276,800 to augment fee collection activities in 15 areas. These funds will be used to staff entrance stations during the peak visitor season. Changes are also being proposed in the appropriation language for the "Operation of the National Park System" appropriation to:

> Remove the freeze on entrance fees imposed under section 402 of Public Law 96-87 (93 Stat. 664 666) and permit the National Park Service to establish a reasonable fee at any unit of the System where practicable and raise those fees which are currently charged.
>
> Remove the prohibition against charging for visitor transportation services at Denali National Park. Establish a special Treasury account in fiscal 1984 for recreation fee revenues. Appropriations from this account will be requested in fiscal 1985 to cover the cost of fee collection activities and park operations.

Based on these assumptions and expected increases in campground fees, the Administration is projecting that recreation fee revenues for the National Park Service will increase to $51.0 million in 1984.

The Administration is also proposing to institute a processing fee for certifications eligibility for Federal tax credits authorized by the Economic Recovery Act of 1981 (P.L. 97-34). The proposed fee will cover part II applications-certification of rehabilitation work and is expected to generate revenues of $1.6 million. No additional legislative authority is required to implement this fee. All revenues will be deposited into the miscellaneous receipts account of the Treasury.

Bureau of Land Management

Answer: 41 b. The budget for the Bureau of Land Management includes a major change in funding the processing of rights-of-way grants. Beginning in FY 1984, more of the Federal Government's costs will be recovered for projects which are estimated to cost less than $5,000 to process, through a change in the fee schedule. The revised fee schedule consists of categories of rights-of-way applications with fees ranging from $100 to $3,200 depending upon the complexity and work requirements of the application. Regulations effecting these changes have been published as proposed rules in the Federal Register (January 17, 1983).

For projects estimated to cost $5,000 or more to process, actual costs of processing and monitoring will continue to be recovered through the procedures currently in effect.

No new authority is required for the Bureau of Land Management. Sections 304 and 504 of the Federal Land Policy and Management Act authorize the recovery of reasonable costs to process applications and to monitor grants after issuance.

Fish and Wildlife Service

Answer:41 c The Service anticipates receiving $24 million for the Migratory Bird Conservation Account from the sale of 1.65 million duck stamps in FY 1984. This is based upon the assumptions that legislation will be enacted to increase the price of duck stamps from $7.50 to $15.00 for the 1983 - 1984 hunting season. The proposed FY 1984 level of acquisition also assumes that extension of the Wetlands Loan Act will be authorized during FY 1983.

Changes in the Wetlands Loan Act will be sought and draft legislation prepared to support the Service's FY 1984 budget request.

The Administration is drafting legislation entitled "The Protect Our Wetlands and Duck Resources Act." Increasing the duck stamp price from $7.50 to $15.00, extending the Wetlands Loan Act, and deferring loan repayment provisions are being considered during the drafting.

Geological Survey

Answer: 41 d. Production costs are reviewed annually to determine if an increase is warranted in the price of the maps. Based on the results of previous price reviews, it is possible that there could be an increase in map prices in late FY 1983 or early FY 1984. At the same time, the Survey is requesting authority in the appropriations language to retain receipts from the sale of all published maps. Receipts from the sale of published maps to the public for FY 1984 are estimated to be $8,500,000 as shown in the Budget Justification. This is an increase of approximately $500,000 over the FY 1983 estimate based upon an anticipated increased demand for maps.

Authorization is being requested to retain receipts from the sale of all published maps, rather than the receipts being deposited into the general fund of the Treasury. These receipts will be applied to the costs of map printing and distribution. Offsetting reductions are proposed in the Primary Quadrangle Mapping and Map Revision Programs.

Outer Continental Shelf (OCS)
5-Year Plan

42. Question: On July 21, 1982, you approved the final 5-year OCS oil and gas leasing plan. That plan did not provide the detailed criteria by which the DOI would determine if the Government is receiving fair market value for the OCS lands. Are those detailed criteria developed and finalized now? Will you hold public hearings on those detailed criteria? If not, why not? Don't the OCS Lands Act Amendments require that amendments to the OCS plan be reviewed by Congress and the public?

Answer: The Department had already developed the basic system for fair market value determination in the final 5-year OCS oil and gas leasing plan submitted to Congress in July 1982. That plan did not provide all the detailed criteria which the Department would employ, since we felt that it was prudent to test the proposed criteria in at least two sales before any new procedures were implemented.

Detailed criteria, such as the average of the number of bids received on each tract and the type of tract (wildcat, drainage, etc.), have been developed and will be finalized by the end of February 1983. These criteria represent merely technical refinements in the plan and clearly do not represent a change in the basic 5-year program proposal necessitating a review by Congress and the public.

43. Question: What level of funding are you requesting for conducting fair market value determinations in the OCS leasing program? How many staff do you propose to use for this effort?

Answer: Fair market value determination involves resource economic evaluation and bid analyses (industry's competition) after a lease sale. These evaluations and analyses are carried out within the Resource Evaluation Program Subactivity of the Minerals Management Service (MMS) appropriation for Minerals and Royalty Management. The FY 1984 resources proposed by MMS for this element are $25.38 million and 293 FTE-T. However, these resources will be reviewed by MMS to determine if adjustments should be made in the outyears to reflect new evaluation procedures being established under the 5-year schedule. It is important to note that resource economic evaluation is an ongoing activity throughout the lease sale process that involves major elements such as cost analysis, economic forecasting, geologic prospect mapping, etc. Each element involves personnel working in various phases of the resource evaluation and lease management programs that lead to a fair market value determination of each high bid received on tracts offered for lease. Since most phases of the resource evaluation process are ongoing and closely tied to each other from data acquisition to the final establishment of fair market value and involving the same personnel working on various phases of several sales simultaneously, it is extremely impractical (or impossible) to break out funding and personnel for fair market value per se. Any such estimate would seriously understate the total effort required to support all the interrelated components of the OCS program.

44. Question: On September 29, 1982, you wrote Senator Weicker a letter pledging to work closely with him to assure

a) receipt of fair market value for the OCS lands;

b) that affected coastal states and the public would have their concerns addressed in the program;

c) that environmental concerns would be adequately considered in the program.

What have you done to carry out your pledge to Senator Weicker and this Committee?

Answer: In an effort to follow through on working with Congress and the States on the OCS 5-Year Leasing Program as outlined in the September 29, 1982, letter, the Department of the Interior has done the following:

- December 3, 1982, a letter was sent by Assistant Secretary for Energy and Minerals, Daniel N. Miller, to Senator Weicker which updated the Department's activities. We enclosed a copy of a December 1, 1982, letter to Chairman McClure which contained environmental studies data. In addition, we extended an invitation to attend the December 13-14, 1982, OCS Advisory Board Meeting held in Clearwater, Florida.

- In early December, MMS personnel met with staff of Senator Weicker to discuss the September 29, 1982, letter. Our work with States on consistency determinations was specifically mentioned and examples of such documents were supplied.

- January 13, 1983, Assistant Secretary Daniel N. Miller wrote to Senator Weicker advising him of the Department's intention to participate in a workshop on the OCS 5-Year Leasing Program sponsored by the Environmental Study Conference.

- On January 18, 1983, David C. Russell, Deputy Director of the Minerals Management Service, represented the Department of the Interior at the Environmental Study Conference workshop on the OCS 5-Year Leasing Program.

- The Department has expanded its outreach efforts by spending more time with State elected representatives. For example, with respect to Sale No. 52 (North Atlantic), Dave Russell recently visited Boston, Massachusetts, to speak with that State's:

  (a) Governor's Staff
  (b) Coastal Zone Management Representative
  (c) Attorney General
  (d) Environmental Affairs Office
  (e) State House and Senate Members on the National Resource and Agriculture Committees.

  In addition, phone calls were made to the other States affected by Sale No. 52. This effort will continue as the Department approaches OCS sale dates.

- The MMS Congressional and Legislative Affairs Office contacted, in person, over 60 congressional members' offices of the 7 States affected by Sale No. 52 (Maine, Massachusetts, Connecticut, New Jersey, Rhode Island, New York, and New Hampshire). An informational package on the sale was given to each office. This will also continue as the Department approaches OCS sale dates.

- In February 1983 the MMS Congressional and Legislative Affairs Office met twice with staff of Senator Weicker's Office.

- On February 16, 1983, the Department of the Interior participated in the Constituent Resource Exposition sponsored by the United States Office of Consumer Affairs. This exposition enabled the Department to meet with congressional staff members to share information and materials which can assist in resolving constituents' problems. Numerous informational packages on the OCS 5-Year Leasing Program were available at this exposition.

- Since September 1983, we have been diligently proceding to develop the technical implementation of a new system for assuring fair market value. We have initiated a Task Force and conducted shadow tests of the new system at OCS Sales 71 and 69, Part I. A public seminar on the subject of our progress was conducted as part of an OCS Advisory Board meeting on December 14, 1982, in Clearwater, Florida, noted above. All coastal States were represented at that meeting, as were members of industry and other interested groups. Numerous comments from the public were received and have been analyzed.

  We plan to complete our analysis of the technical implementation of the system by February 24, 1983. Soon thereafter the details will be published in the Federal Register. The issue of fair market value has been constantly evolving and we will continue to be open to any potential improvement.

Questions submitted from Senator Matsunaga

National Aquaculture

45. Question: The National Aquaculture Plan was to have been sent to Congress by March 1982, under a provision of the National Aquaculture Act of 1980. Aquaculture is beginning to show the potential to be an important part of the State of Hawaii's economic future. What is the status of the National Aquaculture Plan?

Answer: The most current draft of the National Aquaculture Development Plan, Draft 5, has been submitted to the Departments of Agriculture, Commerce, and Interior. Agriculture and Commerce have agreed that Draft 5 is satisfactory and can be submitted to the Office of Management and Budget (OMB) for their review. Draft 5 is being reviewed in my office and if it meets with our approval, Draft 5 will be submitted to OMB by the Joint Subcommittee on Aquaculture (JSA).

Question:45a. What activities does the Department of the Interior plan to undertake in Fiscal Year 1984 to help develop domestic aquaculture?

Answer: The Department of the Interior assumed the Chairmanship of the JSA on February 1, 1983. JSA will pursue the mandates of the National Aquaculture Act through panels on: a) Science Technology and Engineering; b) Economics; and c) Education and Technical Assistance. The research, development, and technical information needs of Federal, State, university, nonprofit institutions, public utility, and private aquaculturists will be explored. The panels will plan and coordinate research, development, and information transfer initiatives to assist these needs. The problem of overregulation of aquaculturists by Federal, State, and local governments will continue to be an issue to be dealt with by JSA.

In brief, we feel there is a need for Federal, State, academic, and private participation. Each is playing an essential role. There is presently little overlap in activities, but coordination is vital for maximum efficiency. After the passage of the National Aquaculture Act of 1980, the Department of the Interior began several new activities to develop aquaculture. The two most important being the coordination and acceleration of technical information transfer and the start of a seedstock program. Our historical role in aquaculture research, development, and information transfer will continue apace and the aquaculture industry will continue to benefit from this role as it has in the past.

PROPOSED FISCAL YEAR 1984 BUDGET REQUEST

THURSDAY, FEBRUARY 3, 1983

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room SD-366, Dirksen Office Building, Hon. James A. McClure, chairman, presiding.

Present: Senators McClure, Warner, and Ford.

Also present: Gary Ellsworth, deputy chief counsel—natural resources; Richard D. Grundy, budget officer; Tony Bevinetto, professional staff member; D. Michael Harvey, chief councel for the minority; and Thomas B. Williams, professional staff member for the minority.

OPENING STATEMENT OF HON. JAMES A. McCLURE, A U.S. SENATOR FROM THE STATE OF IDAHO

The CHAIRMAN. The committee will come to order.

This is the third day of oversight hearings by the committee on the proposed fiscal year 1984 budget for various programs within the jurisdiction of the committee.

Our initial witness today will be Hon. John B. Crowell, Jr., Assistant Secretary, Department of Agriculture and the Chief of the Forest Service, Hon. R. Max Peterson. Later this morning, we will receive testimony from Edward E. Noble, Chairman of the Board of the Synthetic Fuels Corporation and its President, Victor A. Schroeder.

Under Assistant Secretary Crowell's leadership over the past 2 years there has been a significant redirection of program and policy with greater emphasis on production, increased development of vital natural resources, and improvement in the quality of planning in our national forest system.

The national forests provide a multiplicity of goods, services, and activities, tangible and intangible, that affect our quality of life from shelter to recreation. Those States, including my own State of Idaho, are dependent on and need the national forests for these human activities. Our businesses, jobs, recreation, and lives are interwoven with the national forests and their management.

We need to know the specifics of asset management, fee charges, timber contract status, and the timber sale program. We need to find a permanent solution to the wilderness allocation decision that Congress must make.

Secretary Crowell, I welcome you and I know you intend to address these issues today and in the year to come.

STATEMENT OF HON. JOHN B. CROWELL, JR., ASSISTANT SECRETARY, DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY HON. R. MAX PETERSON, CHIEF, U.S. FOREST SERVICE, DEPARTMENT OF AGRICULTURE

Mr. **Crowell.** Thank you, Mr. Chairman. Senator Ford, it's a pleasure for me to be here this morning to discuss the fiscal year 1984 budget for the Forest Service.

The **Chairman.** I just might mention, Mr. Secretary, we have your entire statement. If you desire we'll place it in the record in full.

Mr. **Crowell.** I would appreciate it being placed in the record in full, Mr. Chairman, because I do not intend to read it. I will summarize it and then expect part of it at least will be covered with questions.

The **Chairman.** Your entire statement will be placed in the record in full.

WITNESS STATEMENT SUMMARY

Mr. **Crowell.** Last week in his state of the Union address, the President outlined a four-part plan to increase economic growth and to reduce Federal budget deficits. The four-part plan appropriated a domestic spending freeze; measures which would begin to control the so-called uncontrollable spending programs or entitlement programs; adjustment of the program to restore America's defenses that will result in cost savings without endangering national security; and fourth, a standby tax limited to no more than 1 percent of GNP which tax would start in fiscal year 1986.

The first two points are especially pertinent to the fiscal year 1984 budget proposal for the Department of Agriculture. There will be very substantial reductions proposed for the commodity, food assistance, and rural development programs. In total, budget authority is down 6 percent from 1983 and program level, the total financial value of the obligations to be incurred by USDA, is down 20 percent.

In this context, the budget of the Forest Service has fared rather well. The Forest Service 1984 budget reflects the revenue producing capabilities of some of its programs and their contributions to the economic recovery through a high level of resource outputs. Overall, the administration is proposing to obligate just over $2 billion for Forest Service programs in fiscal year 1984, including the receipts-sharing element of the budget. This is a 1.6-percent increase over the 1983 fiscal year appropriation. The actual expenditure level which is anticipated for the 1984 budget, if you take out the receipts-sharing levels, will call for program funding to decrease by 6 percent from what it had been in 1983. We anticipate that the total receipts generated by Forest Service programs in 1984 will be $1.4 billion, a 27-percent increase over fiscal year 1983. That sharp increase would be largely attributable to the anticipated increase in housing starts and the concomitant increase in the demand for wood products. Greater receipts are also a benefit of the priority the administration has placed on making the national forest more productive for the American people.

Before I discuss more details of the 1984 budget in terms of the Forest Service program I would like to refer to a couple of ancillary matters. The first is the issue of the roadless area review and evaluation, RARE II, about which we made an announcement on Tuesday. This was made necessary as a result of the ninth circuit decision in the State of California on October 22. The announcement was to the effect that since the case had not been appealed to the U.S. Supreme Court, we were taking action to comply with both the direction and implications of the ninth circuit decision by putting back into the planning process, which is being carried on for all of the individual national forests, a review and reevaluation of the roadless areas. We also said that it was our intention to continue planned activities on the relatively small percentage of the roadless areas which had those activities planned as a result of the RARE II decision which the Forest Service had been relying on since 1979. The purpose of continuing the programs was to avoid undue and hopefully unnecessary disruption to the economies of local communities which would be dependent on the ongoing aspects of some of those planned activities.

It is our estimate that the reevaluation which we feel compelled to do as a result of the ninth circuit decision will delay the completion of the planning process by from 6 to 24 months on a forest-by-forest basis. We have urged the Congress to enact legislation to solve the problem created by the ninth circuit decision as well as the RARE II process. We would strongly support legislation which would indicate that the RARE II process was in Congress eyes, legally sufficient and that there would be no basis for further legal challenges based on any of the decisions made by the program, whether the areas had been recommended for wilderness designation or had been recommended for multiple use.

The other ancillary matter I would like to discuss briefly is the assets management program, the land sales program which was announced by the administration last year. In making the announcement about the Forest Service's prospective participation in that program, it was indicated that we were initially not going to consider about 50 million acres of the 191 million acre national forest system for potential sale. Those 50 million acres were made up primarily of land already designated as wilderness, national recreation areas, national wild and scenic river systems, national monuments, and a few other specially designated areas. That left approximately 141 million acres of national forest system land which we began a quick review of for the purpose of determining just how much of that acreage ought to be carefully and closely studied for the possible recommendation for sale. That process is still about 3 weeks from completion. Our original estimates had been we were going to identify 15 to 18 million acres which would be subject to further study for possible sale. The rest of the system would not be further considered for sale.

It is now apparent that our estimates were a bit high, and we are now anticipating that the acreage which will be identified for further study for possible future sale will be under 10 million acres. The plan is that when the quick study that we're now doing is finished, we will make public the maps which identify the areas being excluded from further potential consideration for sale and the areas which will be subject to further study for possible sale. That further study, however, will not take place because we don't feel it would be an appropriate expenditure of time, money, and effort unless or until the Congress provides the authority. We anticipate requesting authority some time in the next few weeks to conduct sales of national forest lands beyond the very, very limited authority we already have.

With that report on the progress of the assets management program and how we propose to handle it during fiscal year 1983, I will now proceed to consideration of some of the details of our 1984 budget.

As you indicated in your opening comments, Mr. Chairman, we are tending to emphasize the receipts-generating capabilities of the National Forest System. We believe that these capabilities have been overlooked in the past, that the national forest system represents a tremendously valuable asset owned by the people of the United States and that it should be generating a fair return to the owners of those assets in the form of dollars to the Treasury.

We expect that in due course the Forest Service program should be covered with receipts from the national forest and that there should be a net profit return to the Government from the management of those assets. That is not the case now and never has been the case in the past. But the 1984 budget makes a very small move in that direction because unfortunately to get to the point where we can generate receipts requires investments which are not returned in the same year in which the investments are made, and because the fiscal year is the measuring stick by which budgets are drawn and by which receipts are measured. We are in a particularly stringent budget time now as everybody knows, and so the proposals for the Forest Service budget in 1984 are not very significant departures from what we have done in the past in the way of managing the system. We do anticipate the total receipts in 1984 would be approximately $1.4 billion. The portion of the receipts which would come from the timber sales program would be about $1 billion in 1984 and that would be up by about 33 percent from what we anticipate them to be in 1983. Both of those estimates, of course, are dependent upon a stronger housing market represented by an improvement in the housing starts above levels that we've had in each of the last 2 years.

Another program which we intend to emphasize a bit more because of its receipts-generating capabilities are the minerals programs of the Forest Service. Here we propose that $27.7 million be appropriated for management of the mineral assets of the national forest system. This would be a 26-percent increase over the fiscal year 1983 appropriation, but only 11 percent above the funding level which the President's budget for 1983 had requested. This program is one which provides the highest return on investment of any of the Forest Service programs and it is one which deserves full funding because the receipts generated are a very fine rate of return.

Recreation is another general program of the Forest Service which has some capability for generating receipts. If you take into account other Forest Service programs, contribute to recreation in addition to the regular Forest Service recreation budget, we estimate that the cost of providing recreation on the National Forest System is about $150 to $160 million a year. That does not include any allocation for either road construction or road maintenance. And so the figure would be even higher if those factors were taken into account. Compared with that high level of cost, we get back about $25 million in receipts collected primarily from the use of improved campgrounds and a few other improved facilities. We do include in the budget this year a proposal that would about double those receipts. That would be dependent upon enactment of a legislative proposal which will be coming up from the administration to the Congress some time in the next month or two.

We have talked preliminarily to many recreational-user groups and have explained the reasons for wanting to increase receipts from the recreational programs. I'm pleased to say that we have gotten a generally favorable reception, so we are in the process now of trying to shape a recreation receipts program which would be acceptable to the public, the using public who benefits from the recreational uses of the national forest, and which at the same time would help to recover some of the costs of providing that recreational program.

The two main items in the Forest Service budget which are susceptible to reductions in the 1984 budget proposal are the research program and the State and private forestry program. The research program was reduced last year by about $5 million from the 1982 level so that we now are looking at an expenditure of $105 million, if I recall the figure correctly, for the research program in 1983. The President's 1984 budget would propose a modest further reduction to about $101 million.

Now, the reason for proposing that reduction is upon analyzing the research budget of the Forest Service, I have reached the conclusion that some of what we are doing does not have prospects of immediate application. It's the kind of research which could be deferred until there is occasion to make or to expect that its application would be more immediately needed. Research is a hard thing to judge because, especially when you are doing very basic research, you never know what the returns may be. We can anticipate what they may be and you can hope you will achieve a significant breakthrough, but you're never sure of that. So we have to achieve a balance in funding any kind of a research program in terms of what we hope to achieve and in terms of what we are likely to achieve.

I think that the $101 million funding for the Forest Service research program will still provide an adequate and very in-depth research program on forestry matters for the United States. In fact, it will still be by far the largest forestry research program being conducted anywhere in the world.

State and private forestry is the area which we are asking for rather significant reductions, down from the neighborhood of approximately $65 million in the 1983 budget to $25 million in the 1984 budget. This will be a painful reduction to those who have been the beneficiaries of past aid to private programs, but we believe that it is appropriate that these programs be shifted to the private sector and to the States, if they choose to pick them up. The rationale here is that virtually all of the reductions we are proposing are funds that are expended to protect privately owned forest lands from fire or from insects. We believe that this is appropriately a cost which should be borne ultimately by the owners of those assets. We believe that there have been demonstrations of ways in which protection from both fire and insects can be supplied through private funding, through the establishment of protection districts and taxing authorities to those districts. And so, it is with that philosophic basis that we are making the request for the substantially reduced State and private forestry programs.

Mr. Chairman, that completes my summary of the prepared statement. I would like now to ask you to give attention to Chief Peterson while he uses some charts to explain, perhaps in a little more detail and graphically, the budget proposals for 1984.

[The prepared statement of Mr. Crowell follows:]

PREPARED STATEMENT OF HON. JOHN B. CROWELL, JR., ASSISTANT SECRETARY, DEPARTMENT OF AGRICULTURE

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I welcome the opportunity to appear before you today to discuss the FY 1984 budget for the Forest Service. I am accompanied by R. Max Peterson, Chief of the Forest Service.

Last week in his State of the Union Address, the President outlined a four-part plan to increase economic growth and reduce deficits:

- A domestic spending freeze.
- Measures to begin control of the so-called "uncontrollable spending programs."
- Adjustment of the program to restore America's defenses that will result in cost savings without endangering national security.
- A standby tax limited to no more than one percent of GNP to start in fiscal year 1986.

The first two points are especially pertinent to the FY 1984 budget proposal for the Department of Agriculture. There will be very substantial reductions proposed for the commodity, food assistance, and rural development programs. In total, budget authority is down 6 percent from 1983 and program level, the total financial value of the obligations to be incurred by USDA, is down 20 percent.

In this context, the budget of the Forest Service has fared rather well. The Forest Service 1984 budget reflects the revenue producing capabilities of some of its programs and their contributions to the economic recovery through a high level of resource outputs. Overall, the Administration is proposing to obligate just over $2 billion for Forest Service programs in fiscal year 1984, including the receipts-sharing element of the budget. This is a 1.6 percent increase over the 1983 fiscal year appropriation. These programs will be financed through the fiscal year 1984 appropriation, various permanent appropriations, trust funds and carryover funds that will be available as a result of changes in the reforestation trust fund made in the recently enacted Highway Improvement Act of 1982. The slight increase is somewhat misleading because the Forest Service budget includes payments to states of a portion of the receipts generated by the programs. If these payments are not counted, actual program funding is decreased by 6 percent.

We anticipate that the total receipts generated by Forest Service programs will be $1.4 billion, a 27 percent increase over fiscal year 1983. This reflects anticipation of an increase in housing starts and a concomitant increase in demand for wood products. Greater receipts also are a benefit of the priority the Administration has placed on making the national forests more productive for the American people.

Before I discuss the highlights of the Forest Service budget, I think it is necessary to cover two ancillary issues: the recent court decision on RARE II which affects the ability of the Forest Service to produce the outputs called for in the budget; and the Asset Management Program which shows up elsewhere in the budget as an important receipt item.

RARE II
On October 22, 1982, the United States Court of Appeals for the Ninth Circuit affirmed the District Court decision in State of California v. Block. The result of the decision is to hold the nationwide environmental impact statement prepared as part of the RARE II recommendations to be legally inadequate. Although the holding of the case applies directly only to 46 roadless areas in California which were recommended for nonwilderness, the holding is a legal precedent for roadless areas in the RARE II nationwide.

The court decision has serious implications for upsetting a wide range of projects currently planned for areas that were not recommended for wilderness or further planning by RARE II. These include timber sales, mineral exploration and development, hydroelectric projects, range and wildlife improvements, private and county road access, and fuelwood projects. For example, if all timber sales planned for the affected areas in FY 1984 were challenged, as much as 1.2 billion board feet would have to be dropped from the timber sales program or reassigned to the already roaded areas.

To avoid such a major disruption of Forest Service programs, I am again urging the Congress to enact legislation declaring the RARE II environmental impact statement to be sufficient nationwide and releasing the remaining roadless areas from further wilderness consideration.

Our only realistic alternative to legislation, in view of the Ninth Circuit decision, is to reevaluate the roadless areas in National Forests in all states not covered by state wilderness acts incorporating release language. This could cost $15-30 million and will delay completion of forest plans from 6 to 24 months depending on the current status of each plan. In the meantime, planned management activities in the roadless areas will continue unless challenged on a case-by-case basis. This course will help keep disruptions to a minimum while the Congress considers nationwide sufficiency legislation or deals with additional state by state wilderness proposals based on the original RARE II wilderness recommendations.

Asset Management Program. Last year the Administration announced its Asset Management Program with these objectives in mind:

- To sell excess Federal property and some public lands that would have a higher and better use in private ownership.
- To improve the efficiency of government by eliminating the need to manage property or lands that are costly and inefficient and not necessary to serve public objectives.
- To pay off some of the national debt.

Unfortunately, a considerable amount of unwarranted concern was generated after announcement of the program; some opportunists characterized the program as intended to be a wholesale liquidation of the National Forests, a blatantly unwarranted and false conclusion. From the outset, we have made it clear that all Congressionally-designated areas, such as wildernesses, Wild and Scenic Rivers, national recreation areas and national monuments, would not be proposed for disposal. These categories alone total about 50 million acres. Only 60,000 acres were identified and announced at the outset as meeting criteria for disposal and as being eligible for sale under existing legal authorities. However, more of even that infintesimal fraction of the National Forest System will be subject to further review, including opportunity for public comment before actually being put up for sale.

The Forest Service is now in the process of screening the remaining 140 million acres of National Forest System land so as to identify tracts which should definitely be retained in public ownership and those which should be subject to intensive study for possible disposal. This screening should be completed by the end of February 1983 at which time we expect to make the results public.

The Administration will shortly propose legislation to broaden the authority of the Secretary for disposing of a small portion of the National Forest System lands. Only after enactment of this legislation is it intended for the Forest Service to begin in-depth review of the lands selected for intensive study. The in-depth review will include full participation by state and local government and by the public. If the necessary legislation is promptly enacted, we anticipate that as much as $200 million in receipts could be realized from Forest Service land sales in fiscal year 1984.

1984 Budget. I would first like to explain our proposals for the timber, minerals and recreation programs which now generate, or have the potential over several years to generate, revenues that equal or exceed program costs. The National Forest System is a tremendous asset which can contribute directly to economic well-being. National Forests contain over 50 percent of the Nation's present standing softwood sawtimber supply and an estimated 25 percent of the potential domestic energy resources of oil, gas, coal and geothermal steam. There are also important deposits of such strategic minerals as cobalt, tantalum, molybdenum, and the platinum group metals. In FY 1983, total Forest Service receipts are expected to be

$1,094 million growing to $1,391 million in 1984. The portion of the 1983 receipts coming from the Forest Service timber programs (which is the dominant element of Forest Service receipts) is expected to be $728 million, growing to $1,005 million in FY 1984. In addition, the mineral receipts (which is the second most important element of total receipts) is expected to increase by about $10 million during this same period. In view of the current budget deficits, it is important that emphasis be placed on the programs which generate receipts to the Treasury.

Resources on National Forest System lands will continue to be used wisely to meet public needs. It is a basic principle that the productivity of the land will be protected in all Forest Service programs. We are also placing greater emphasis on the compatibility amoung resource uses such as timber, recreation, fish and wildlife. For example, land management activities will fully integrate fish and wildlife needs with other resources and provide for or mitigate effects on habitat requirement. We are also dedicated to the principle that there must be a careful consideration of the environmental, economic and social impact of Forest Service resource management activities, as part of the planning and decision making process.

Timber. The budget request provides for timber offerings of 11.6 billion board feet (bbf), a 5 percent increase over the 11.0 bbf provided for in the fiscal year 1983 Appropriation Act. The 1984 program consists of 10.8 bbf of new timber sales and the anticipated resale of 0.8 bbf of defaulted sales. A mix of program and economic factors has shaped this proposal:

- The 1984 timber budget was formulated during 1982, the worst year for the housing industry since World War II. However, by the end of the year, there were increasing signs that important pieces of the Administration's economic recovery program were taking hold. Both inflation and interest rates are down substantially from the disastrous levels of two years ago. As the President himself has noted, both housing starts and housing permits are climbing rapidly. The resurgence of the housing industry will mean an increased demand for wood products in 1983 with even greater increases expected for the 1984-1988 period. It is now common to see projections of 1.2 to 1.4 million housing starts for 1983 rising to the 2 million level by 1986. The 11.6 bbf sales level proposed for fiscal year 1984 should be viewed as a minimum level consistent with such a housing recovery. Indeed if the more optimistic forecasts prove correct, it will not be enough.

- The National Forests have a critical role to play in meeting wood needs for construction. Approximately half the Nation's standing softwood sawtimber is on the National Forests. It is not possible to rely on the private landowners, both industrial and individual, to the great extent we have in previous housing upswings. The National Forests must provide increasing timber supplies if we are to avoid having a housing recovery dampened or even choked off by increased wood product prices usually associated with rising demand.

- By the end of FY 1983, the volume of sold but uncut timber will be 38 to 39 bbf. However, from 20 to 25 percent of this volume was put under contract at bid prices that were so high, the timber cannot be cut at a profit in the foreseeable future. Some of this timber will become available if the sale is defaulted and subsequently resold or if it can be mixed with lower-priced timber from more recent sales. It would be dangerous, however, to assume that the volume of high-priced timber under contract is the answer to increasing demand for wood for construction. This can only become available volume if the contractors can operate enough newer sales at lower prices to achieve a profitable mix. The resale of defaulted timber sales is certainly no panacea either, because defaults in substantial volumes will be accompanied by bankruptcies and a reduction in total mill capacity.
- The timber program is a multi-year undertaking. In many cases, fiscal year 1984 expenditures will be for sales that will not be prepared and offered for two or more years with the timber actually being harvested several years after that.

In summary, the proposed program is essential to the recovery of the forest products and housing industries and will produce significant revenue for the Federal Government in years ahead. It will help achieve objectives in other programs such as providing road access for recreation and diversification of habitat to the benefit of many wildlife species.

Minerals. The budget for the minerals program is $27.7 million. This is a 26 percent increase over the fiscal year 1983 appropriation, but only 11 percent above the funding level requested by the Administration for FY 1983. The increase recognizes the high rate of return from receipts generated by the program. The increase will continue the development of the petroleum, geothermal energy and strategic minerals resources of the National Forest while employing prudent safeguards to maintain environmental quality.

Recreation. The 1984 budget proposal for recreation use is $93.8 million, a 3 percent reduction from the amount appropriated for fiscal year 1983. The primary effect will be to shorten the season during which some campgrounds and other facilities will be open. To mitigate some of the reduction, the Forest Service will continue to emphasize its volunteer program to perform some of the work. Where feasible, private concessionaires will be encouraged to manage the more developed facilities. There are, of course, other Forest Service programs which make important contributions to the recreation opportunities that are available. The Wildlife and Fish program, for example, which is important to the enjoyment of the National Forests by sportsmen and other outdoor enthusiasts, is being increased slightly from the 1983 appropriated level. As I have already indicated, the timber program gets roads built for necessary recreation access and can improve habitat for some wildlife species.

In the long run, a greater share of the cost of providing recreational opportunities and services should be borne by the people actually receiving the benefits. The 1984 budget proposal contains an estimate of $51 million in receipts from recreation admission and user fees. Approximately half of this is associated with legislation that the Administration is now developing. Both the Secretary and I have met with a wide range of recreation users and providers over the last year. There is a decided willingness to favorably consider proposals for new or increased user fees so long as the receipts are returned to the development, maintenance, and operation of the recreation resources.

There are two other program areas that I would like to discuss in these highlights.

Research. The 1984 budget for Forest Research is $100.8 million, 4 percent less than the 1983 appropriation. The reduction is not a new proposal. It would streamline the Forest Service research programs to about the same level of staff and laboratory facilities that was proposed last year. I am pleased that the Congress did agree with many of our proposals in the 1983 Appropriations Act which reduced research funding by about $7 million from the fiscal year 1982 level. The 1984 proposal would mean closing 4 small facilities and eliminating 150-160 positions at those facilities and at other laboratories that would continue operation.

Again, we are proposing to give a high priority to work on acid rain. In other areas we will delay or terminate the least important work in each area rather than making drastic changes in the emphasis given to broad programs.

State and Private Forestry. The FY 1984 budget for State and Private Forestry is $25 million, a reduction of 60% from the FY 1983 appropriation. The Forest Pest Management Program will be $17.3 million, which is 37% less than the FY 1983 appropriation. The policy of suppressing pests on Federal lands only, which was proposed in the FY 1983 budget, is again proposed for FY 1984. All grants to the State Forestry Departments will be terminated except for $400 thousand for management improvement. The Forest Service will continue to provide technical assistance in many areas and to collect national data.

This reduction in funding substantially changes the Federal relationship in trying to improve management of forested lands in non-industrial private ownership. Instead of cost-sharing for various protection, management and technology transfer activities, the Federal role will be more limited and indirect. Recent tax law changes provide economic incentives to private landowners for improving forest management.

After Chief Peterson provides an overview of the budget, we would be happy to address any questions that the Committee may have.

Forest Service

Major Considerations

- Long term demand/supply situation
- Housing starts—Advance timber sale preparation work
- Demand for oil, gas, coal and minerals
- Emphasize management of the National Forests
- Greater reliance on State and local governments and the private sector
- Increased receipts to the Federal Government
- Increased Forest Service efficiency

Forest Service

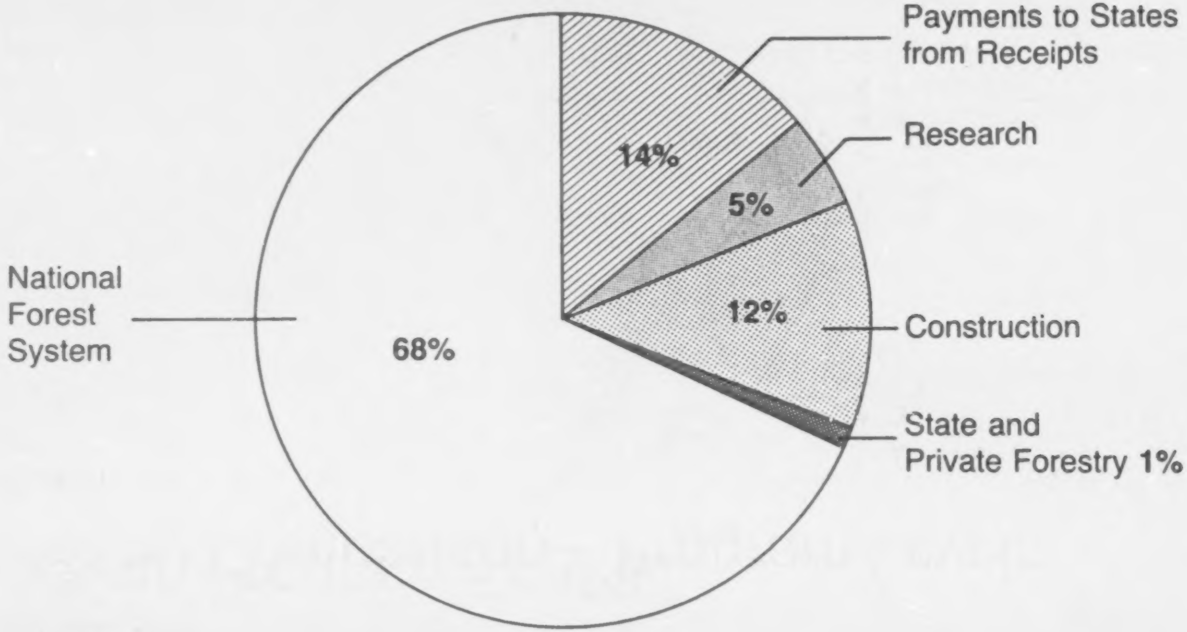
Summary Comparison—Program Levels

($ Millions)

	1983	1984	(Change)
Regular Appropriations	$1,532	$1,427	− 105
Permanent Appropriations:			
Working Funds	150	159	+ 9
Payments to States	145	269	+ 124
Trust Funds	147	150	+ 3
Total	$1,974	$2,005	+ 31
Work Years (FTE)	42,100	40,250	− 1,850
Receipts	$1,094	$1,391	+ 297

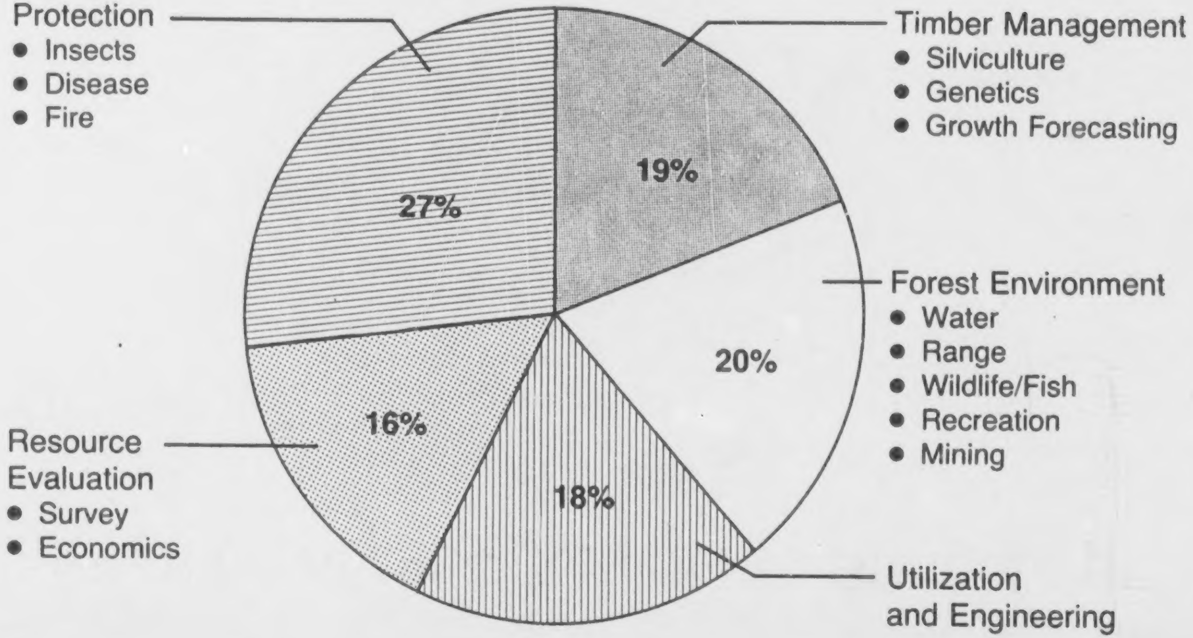
Forest Service

Distribution of 1984 President's Budget



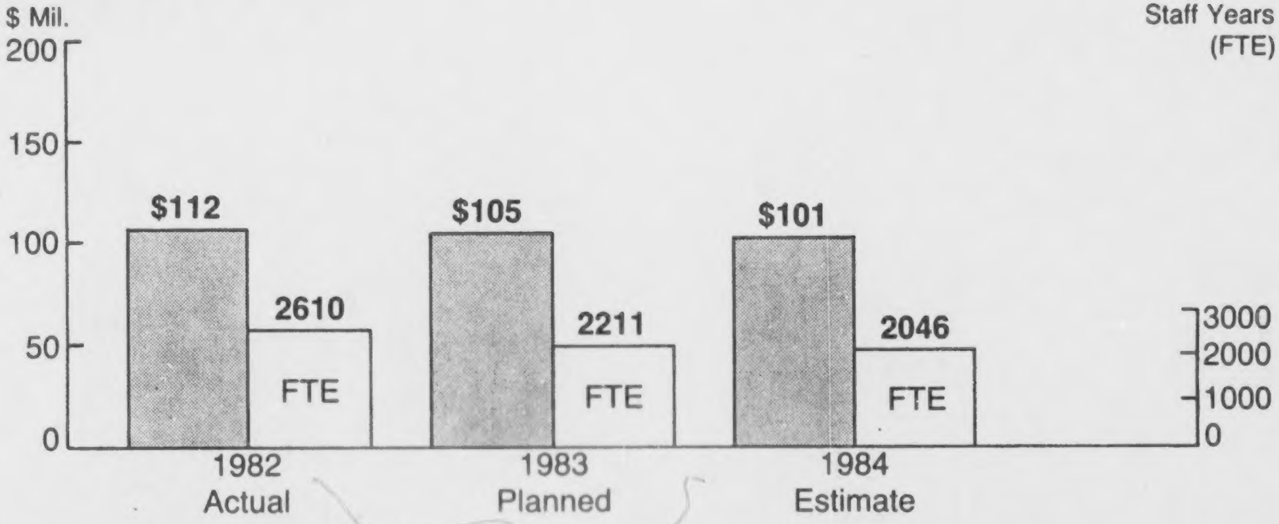
Forest Service

Research Program FY 1984



Forest Service

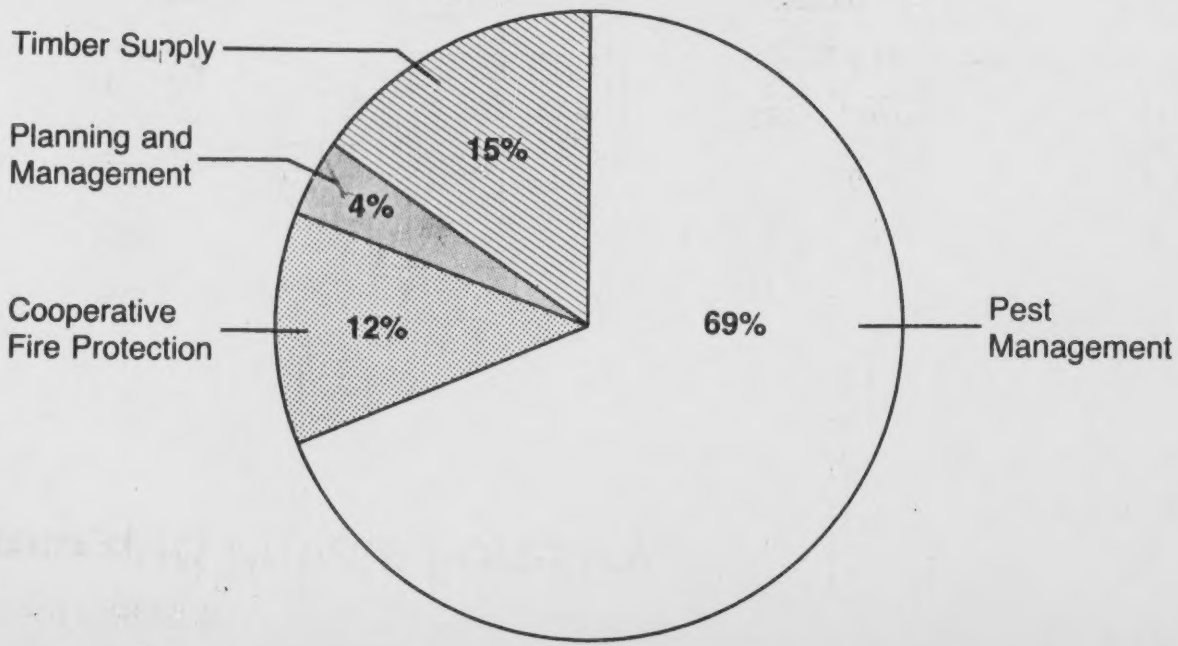
Research



1984 Program Emphasis:
- Timber management and genetics
- Protection of resources
- Acid rain
- Range, recreation and watershed management
- Forest products and engineering
- Forest economics and inventory

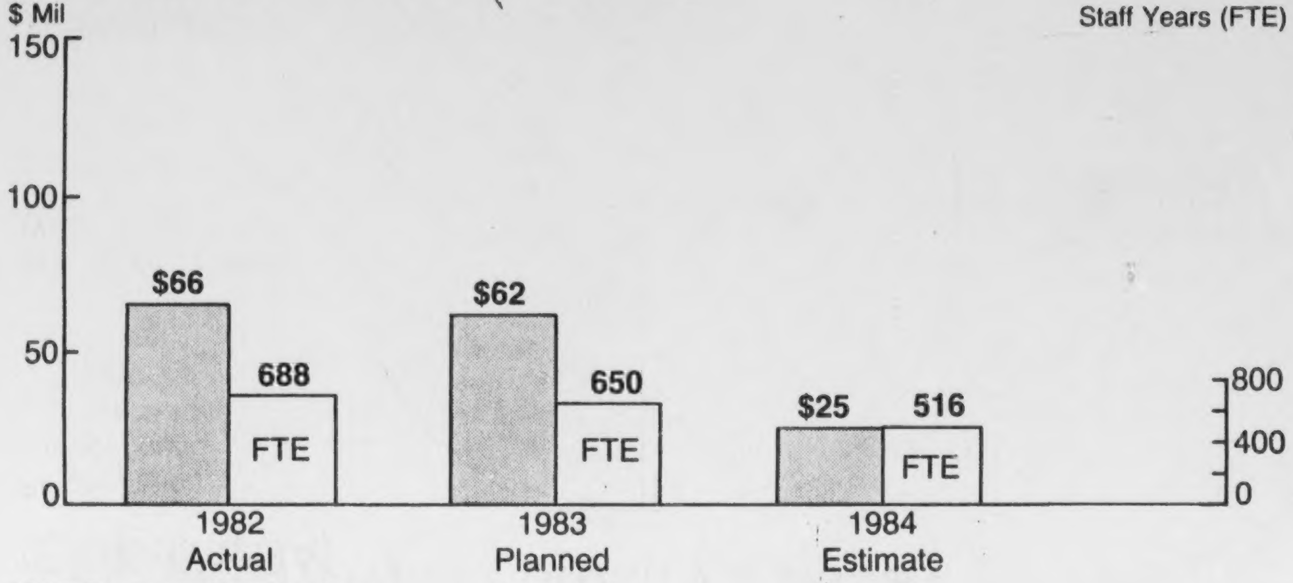
Forest Service

State and Private Forestry FY 1984



Forest Service

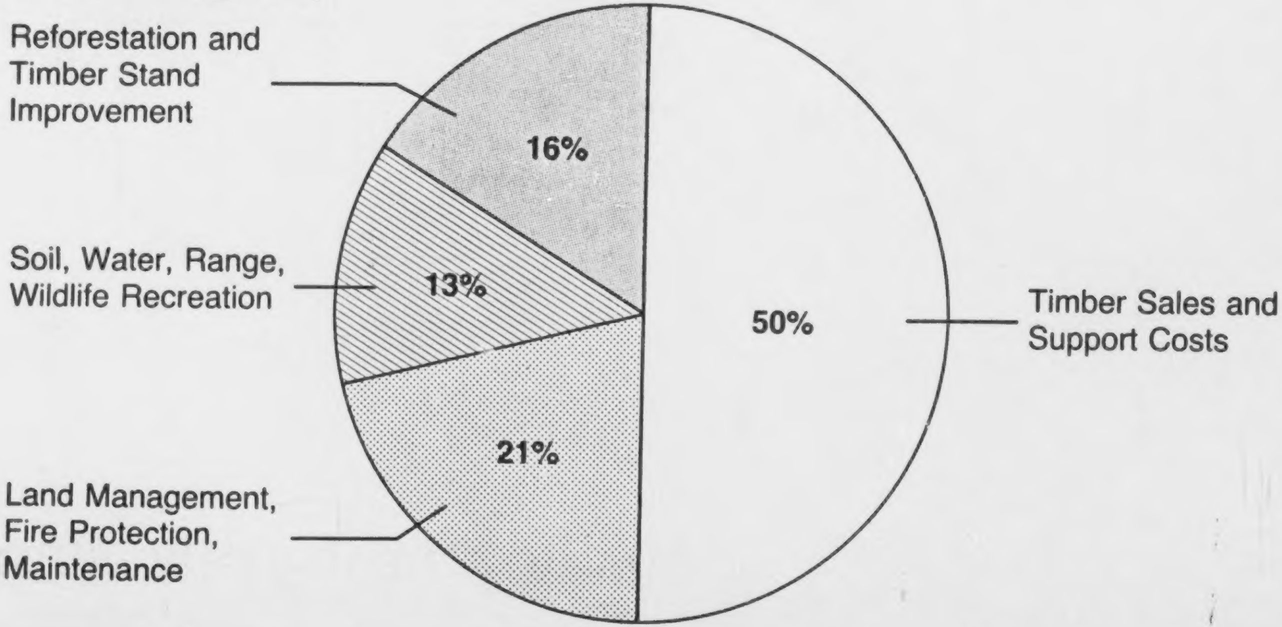
State and Private Forestry



1984 Program Emphasis:
- Technical assistance in planning, forest protection and management to states
- Forest pest management on federal lands

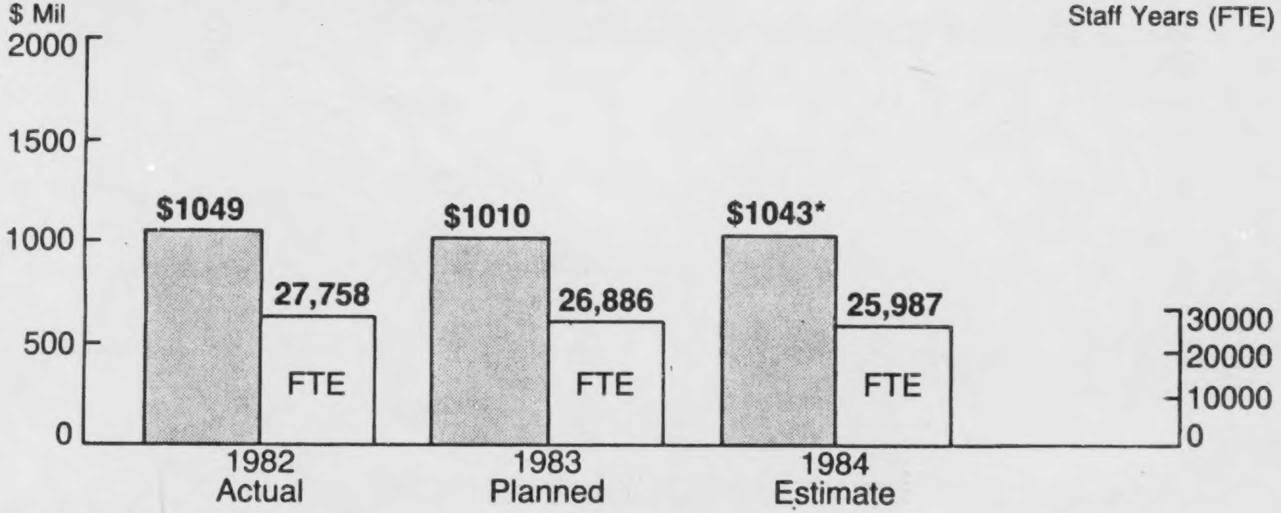
Forest Service

National Forest System FY 1984 (Excluding GA)



Forest Service

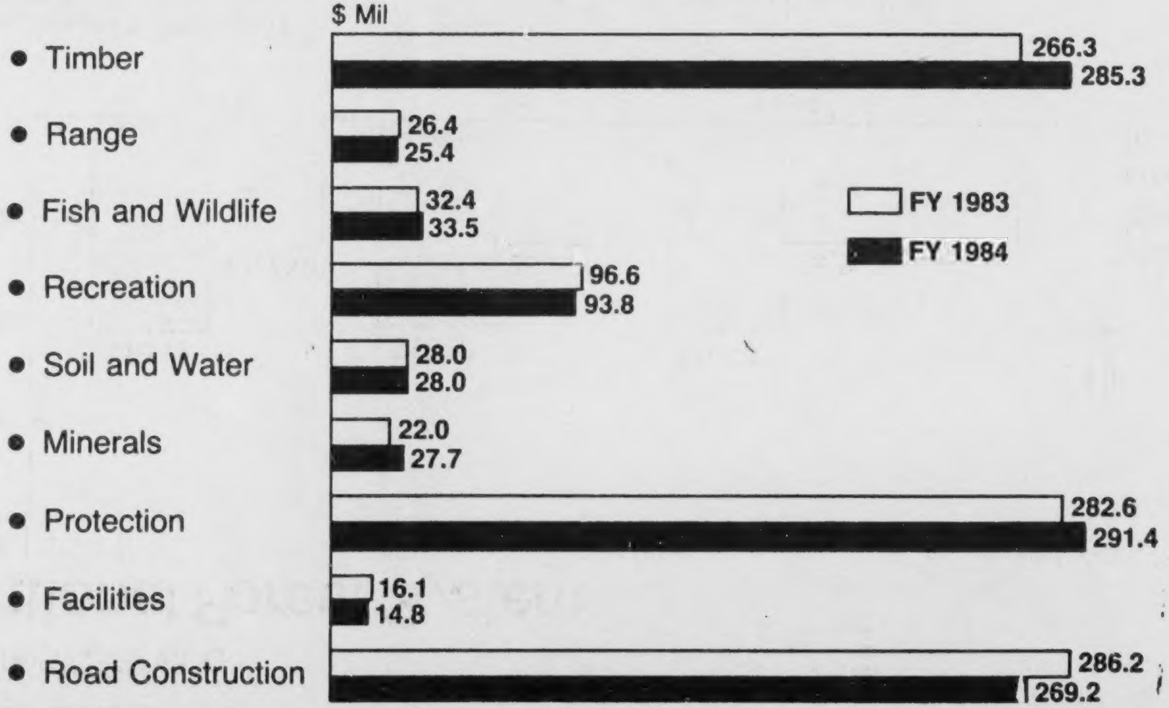
National Forest System



1984 Program Emphasis:
- Timber sale offerings
- Advance timber sale preparation work
- Oil, gas and mineral leases and claims
- Timber and mineral support
- Reforestation backlog
- Road maintenance

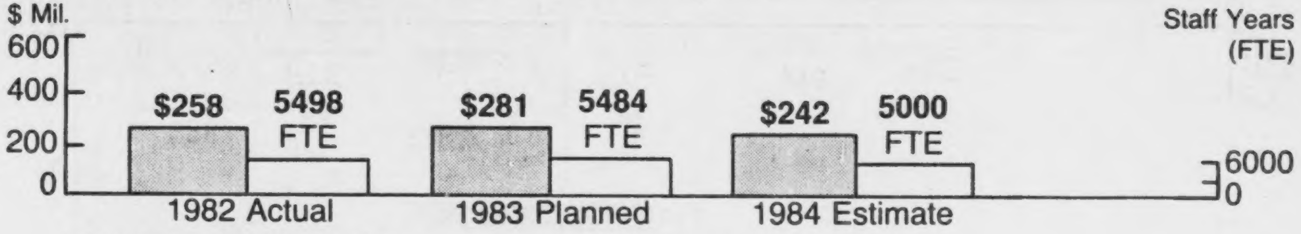
*Program level; Budget authority = $873

National Forest System



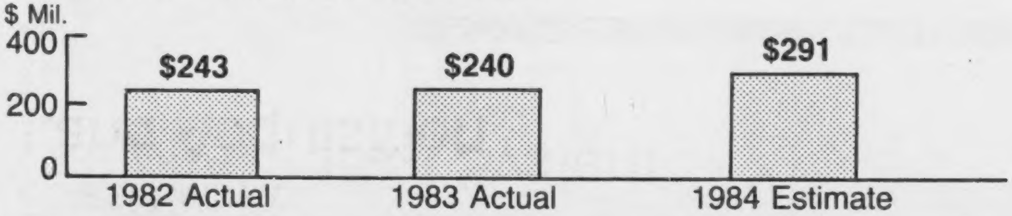
Forest Service

Construction
(Excluding Timber Purchaser Credits)



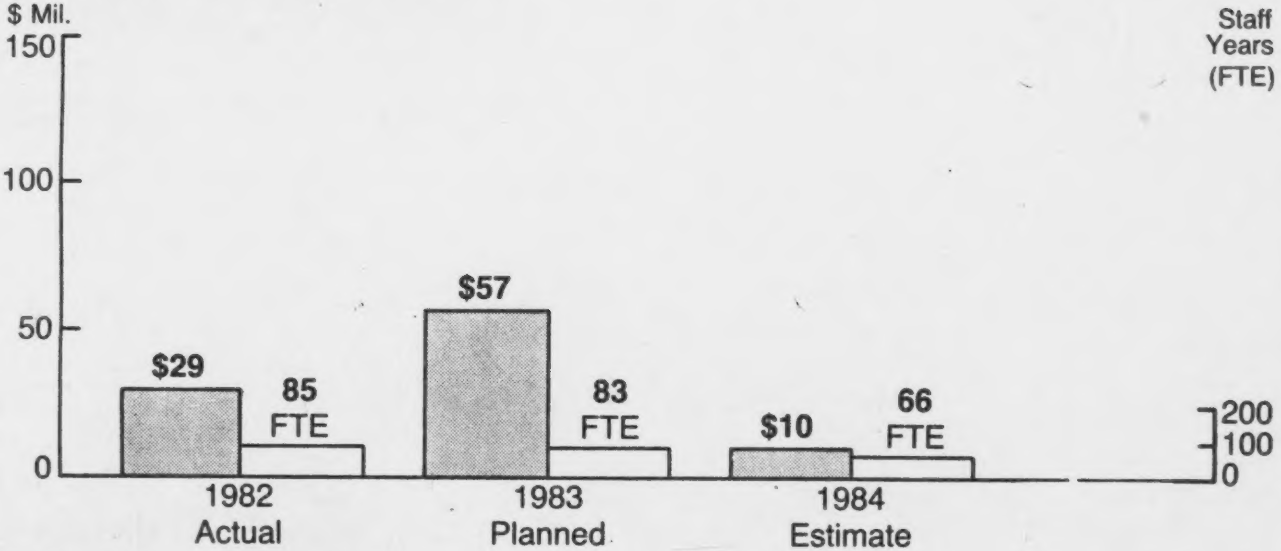
1984 Program Emphasis:
- Timber sale access
- Critical support facilities, particularly health and safety hazards

Timber Purchaser Credits



Forest Service

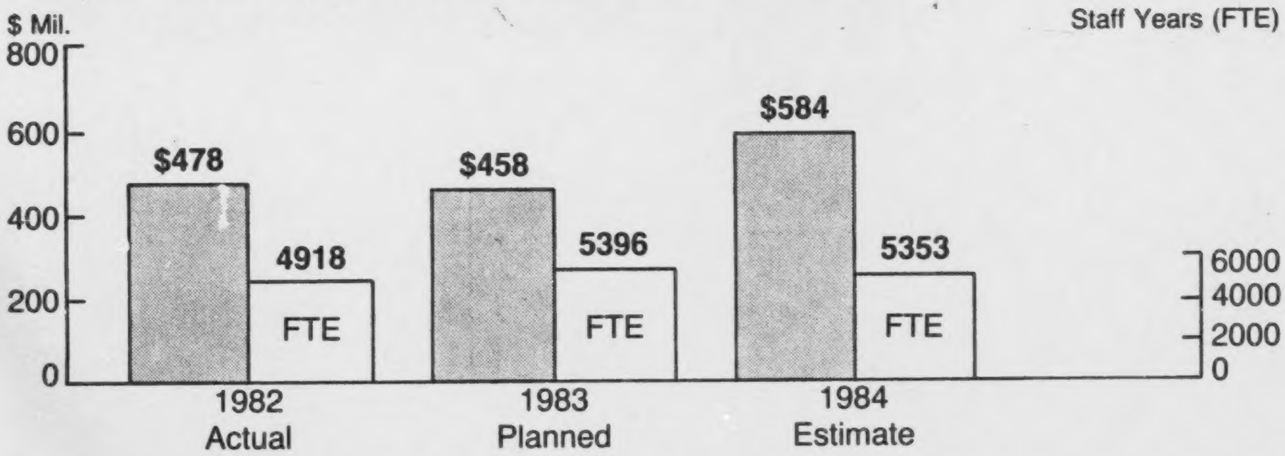
Land Acquisition



1984 Program Emphasis:
- Closing existing L&WCF cases
- Provide for pending court deficiency awards

Forest Service

Permanent, Trust Funds and Other

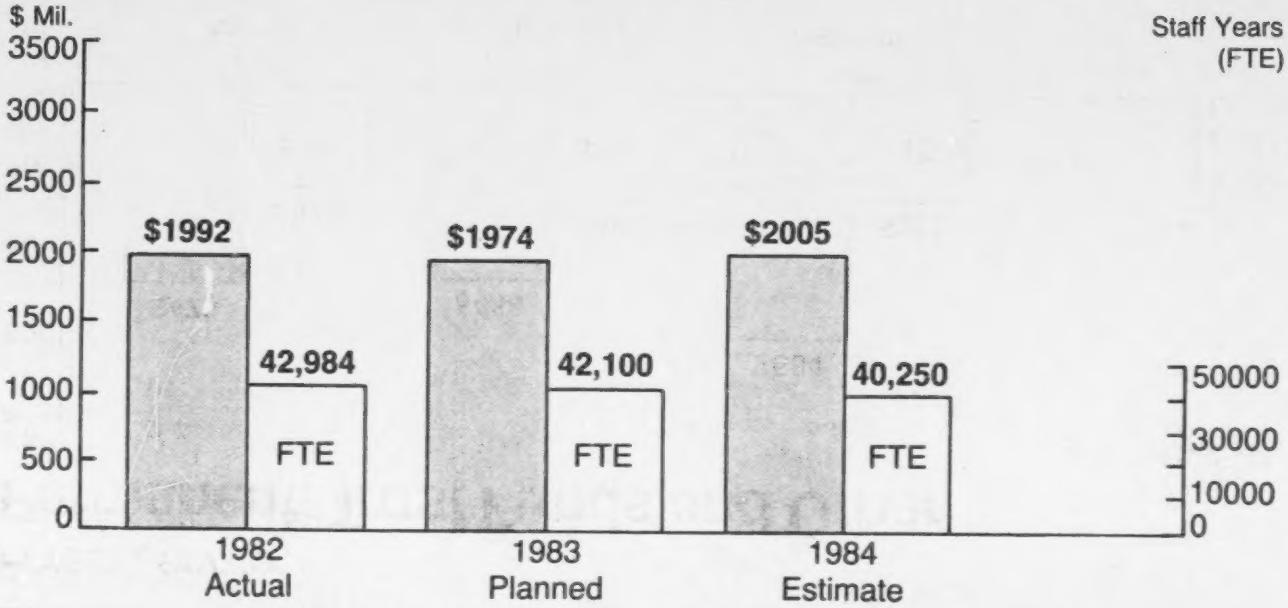


1984 Program Emphasis:

- Timber salvage sales
- Timber purchaser roads constructed by the Forest Service
- Tongass timber supply fund
- Payments to states from receipts
- KV reforestation and timber stand improvement

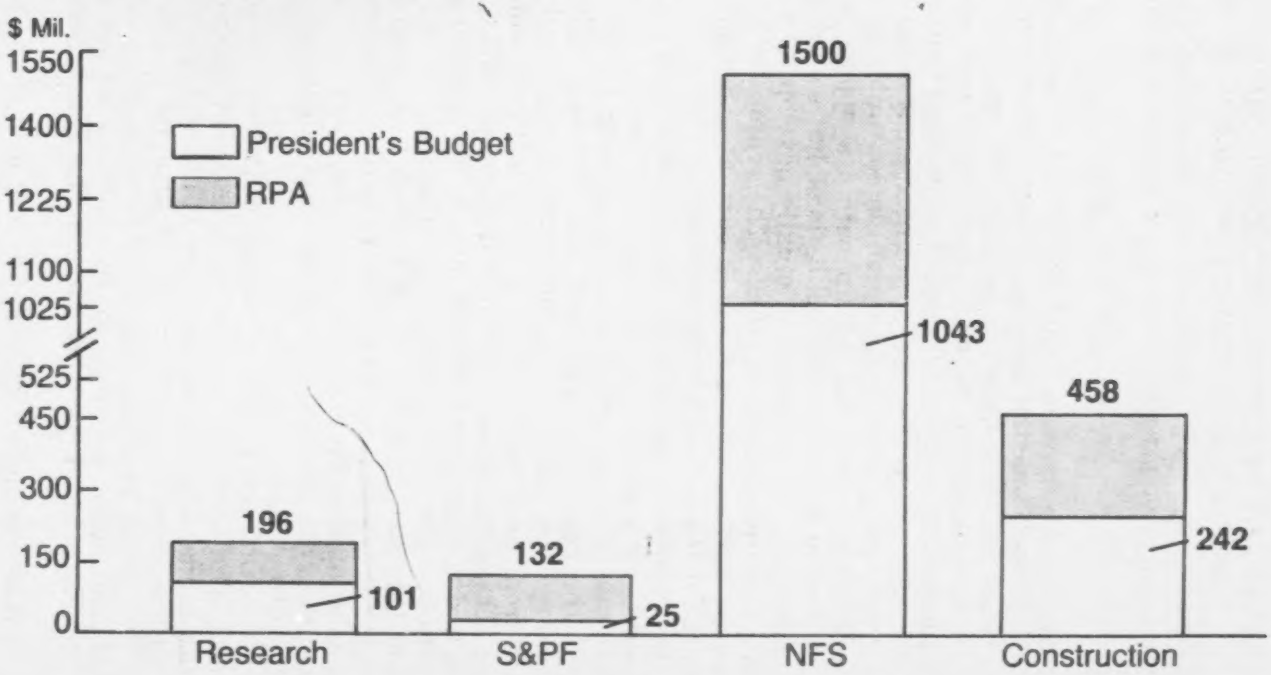
Forest Service

Total
(Excluding Timber Purchaser Credits)



Forest Service

RPA Program—1984



STATEMENT OF HON. R. MAX PETERSON, CHIEF, U.S. FOREST SERVICE, DEPARTMENT OF AGRICULTURE

Chief PETERSON. I will attempt to use these charts and about 15 minutes to carry you through the major elements of the budget.

BUDGET OVERVIEW

The major considerations that we looked at in putting together the 1984 budget was the long term demand-and-supply situation rather than the 1983 situation because, for example with timber sales, we're looking out several years ahead and not looking at what's happening in 1983. We looked at housing starts which hopefully will continue to improve, so we need some advance work. The demand for coal, gas, oil, and minerals continues to increase. We have essentially about caught up with the backlogs, we're at a point of dealing with current applications, but we are getting a significant increase in requests to actually develop oil and gas wells, and this requires additional efforts. The reason for the requesting increase in that activity, is for both current and additonal new applications for leases and development work.

As Assistant Secretary Crowell has already indicated, the budget emphasizes management of the national forests, greater reliance on State and local governments in the private sector, increased receipts to the Federal Government, and increased efficiency. In the last years we've undertaken numerous things to decrease costs ranging from road costs to costs of doing different kinds of studies, and we also reduced the size of our Washington office, our regional offices, and our stations and area offices. We reduced our Washington office by 10 percent in the last year or so.

If you look now, and I'm going to shift to a program basis, the reason for this is that we have certain carryover funds and certain permanent appropriations. The only way you can look at 1983 versus 1984 is to move to a program level which says this is what we expect to obligate.

On a program level, regular appropriations would go from $1.532 to $1.427. The increases are in our permanent appropriations and working funds. The largest increase is an anticipated increase of $124 million in payments to States. A little bit of increase in trust funds. We intend to continue the reduction in full-time equivalents which began about 3 years ago. By the time we get through 1984 we will have reduced the work force in the Forest Service by about 20 percent.

If you take out payments to States and look at the program level that the Forest Service will spend, the 1983 level is 1.829. The 1984 level will be 1.736, which is down $93 million.

Receipts are anticipated to be sharply up primarily representing the increase in the wood products market plus increased recreation fees, and some increase in oil and gas.

If you look at the distribution of the budget between major activities, expenditures for resource management of the national forest accounts for 68 percent of the budget; payments to States from receipts 14 percent; research 5 percent; construction 12 percent; and State and private forestry, 1 percent.

RESEARCH PROGRAM

In looking at the research program, as indicated previously, the Forest Service has a broad research program which includes protection of forests from insects, disease, and fire. Our resource evaluation which includes the continuous forest survey done in each State to find out what is happening in terms of growth and losses and so on, includes also a continuing program of looking at the economics of different forestry programs.

Utilization and engineering which is developing new ways of utilizing materials and also access to forest and inaccessible areas. We've grouped under forest environment research 20 percent of the budget which includes research for watershed, range, wildlife, fish, recreation, and mining reclamation. Timber management research accounts for 19 percent of the budget which includes silviculture, genetics, and growth forecasting. As you can expect, those divisions are not entirely that simple because some of the work in genetics for example, may provide a tree that is more resistant to the disease, so that's not an exact science.

Now this looks at the number of people we have engaged in research. As indicated previously we made a reduction in full-time equivalents between 1982 and by the end of 1983 and there will be a further reduction by the end of 1984 representing the closure of some locations and the reduction of some work units.

STATE AND PRIVATE FORESTRY PROGRAM

State and private forestry program represents the largest change in the budget as already indicated. The biggest part of that 69 percent is pest management. Now I should make clear that pest management is not only on State and private lands, not only forest lands, but national park and Bureau of Land Management lands. So the bulk of this pest management in 1984 is pest purposes on Federal lands and intermingled private land. The balance of that budget is entirely spent for State and private forest land through cooperative fire protection, planning and management and helping to provide timber supply primarily through tree nurseries. Those programs, except for pest management items which include suppression on Federal lands, will be technical assistance. Grants for States would be terminated in 1984.

We have very few people working in that activity because most of the people are on State forestry payrolls. We have only about 650 people all together in that activity. That would be reduced to about 516.

NATIONAL FOREST SYSTEM PROGRAM

Turning to the national forest system, this is, of course, the largest budget program that we have, which accounts for over $1 billion of our $2 billion budget. About 50 percent of resource management is timber sales and support costs, plus another 16 percent is reforestation and timber stand improvement. So about two-thirds of the budget of the national forest resource management is directly timber related. About 15 percent is soil, water, range wildlife, and recreation. Another 21 percent covers all other land management activities such as fire protection and road maintenance.

We have, of course, by far the greatest number of our people working in the national forest system. You'll note that in 1982 we had 27,758 full-time equivalents. We will, by the end of 1984, drop that by roughly 2,000 full-time equivalents. In fact, there's more people than that because a lot of those are 3-month seasonal people. It takes approximately four seasonal people to equal one FTE.

Looking at the national forest system, the timber part of the budget goes up slightly reflecting the increase from 11 billion to 11.6 billion board feet of timber proposed to offer. Range goes down $1 million. Fish and wildlife goes up about $1 million, primarily reflecting support of the timber program in those areas where it's necessary to coordinate fish and wildlife with the timber program. Recreation goes down slightly. Soil and water remains the same. Minerals go up to cover new leases and development. Protection goes up slightly. Facilities which have capital investment like in new buildings and so on goes down. Road construction goes down slightly.

CONSTRUCTION PROGRAM

The only way you can get a true picture of the road program is to look at both appropriated and purchaser road construction. If you look at the road program in 1983 you will note $241 million appropriated for roads, and $240 million authorized for timber purchaser credit making a total road program in 1983 of about $481 million. The road program in 1984 will be $218.6 million appropriated funds, $291 million purchaser credit, making a total of about $509.6 million.

The road program basically goes up a little bit recognizing the increase in timber program, but goes down in unit cost. The road program has gone down in unit cost every year since 1979.

Incidentally, Mr. Chairman, the interesting thing about that, that's the only part of the timber program out there on the cost side that is going down. Both manufacturing and logging costs are continuing to go up. So if we had not reduced these road costs we would have a lot more problems than we've got now. We need to find ways to bring those two costs down because that reflects the total cost.

Incidentally, we're reviewing, our own requirements right now in a detailed way in several of our major regions to see the extent to which our requirements might be contributing to those increased logging costs. So we'll have to look at both approaches, sir. The costs he might control as well as the ones we might control. We're doing that under a very detailed process called value engineering which will challenge all the costs that go into the sale. We've already seen some good results from that.

LAND ACQUISITION PROGRAM

Land acquisition, the final appropriation level in 1983 was $57 million. We are again requesting only about $10 million in 1984 which is primarily to complete the efficiencies and Court awards, preparation in cash equalization in exchange cases where we have equalization of the difference, and in the administration of the program. So essentially the only new acquisition in 1984 would be from carryover funds in 1983. We expect that we might carry over somewhere around $25 million from 1983 to 1984.

PERMANENT AND TRUST FUNDS PROGRAMS

Permanent and trust funds include things such as timber salvage programs, timber purchaser roads which are turned back to us for construction, Tongass timber supply fund and payments to States from receipts, and KV reforestation and stand improvement.

FOREST SERVICE BUDGET SUMMARY

We look at the total for the Forest Service excluding timber purchaser or road construction. The budget shows a slight increase as I've indicated previously. However, that increase payments to the States, which, if deleted, results in about a $91 million program decrease.

Mr. Chairman, that completes the overview. I think we've given you a copy of the charts and we'll be glad to answer any questions.

The CHAIRMAN. Thank you very much.

There are more questions than we have time to go into fully this morning, but there are a couple of areas I think we need to focus on. Perhaps three in particular.

RARE II

First of all, Mr. Secretary, if I understand your response to the so-called RARE II decision in California, is to fold into the forest management planning the correction of the deficiencies which the court found in the California cases, is that correct?

Mr. CROWELL. That is correct, Mr. Chairman.

The CHAIRMAN. But in spite of that process, in effect you are in some ways being forced to go back to square one as far as the conclusions of RARE II are concerned.

Mr. CROWELL. In the sense that we need to come up with decisions again about how the roadless areas are to be utilized, we do have to go back to square one. In a sense a lot of the work which was done in the RARE II process won't have to be done again and can be utilized in a different process which meets the ninth circuit's requirements. We are not going back to square one.

The CHAIRMAN. If I could ask a slightly different question. The court decision in California in effect attacked the deficiencies in the procedures used to arrive at conclusions.

Mr. CROWELL. That is correct.

The CHAIRMAN. Those procedures were commonly applied in all of RARE II.

Mr. CROWELL. That is right. The same procedures were applied in the whole process, and resulted in recommendations for the three classes that came out of RARE II. Recommendations for wilderness, recommendations for nonwilderness, and recommendations for further planning.

The **Chairman**. And since there are procedural defects in those procedures as commonly applied, or similarly applied, in every instance, all of the results of RARE II are subject to the same question.

Mr. **Crowell**. That is correct. And that is the underlying basis for the decision that we announced two days ago.

The **Chairman**. You know there are a great many of us who are frustrated, and I know you share this frustration, with the idea that after years and years of study, now the court says go study some more.

Mr. **Crowell**. It was a very painful outcome for all of us that have been involved in this issue for some time.

The **Chairman**. The indecision occurs as a result of a lack of decision and a lack of firm goals; and the lack of certainty as to what the outcome will be persists. The people that have to depend upon the resources in whatever way are again faced with another period of uncertainty based upon the reevaluation of things that have been studied for the last decade or more. At some point we have to get to the end of this.

Mr. **Crowell**. That is the unfortunate aspect of the ninth circuit decision. As I indicated, we expect that it will result in anywhere from 6 to 24 months further delay in the resolution of these matters and we therefore are strongly encouraging the Congress to act. We would be perfectly satisfied if the basis of those actions were the RARE II recommendations.

The **Chairman**. The Secretary knows, and I think everyone else knows, that I have been trying for the last 2 years to develop a means by which Congress could act on the RARE II recommendations and get to the end of the discussion. As a matter of fact if we could forge any kind of census up here we would be able to provide you with the certainty which the last administration thought would be found in the resolution of RARE II. Unfortunately the administration had more courage than Congress has been able to muster, or perhaps the administration had more capacity to focus and achieve a final result. I don't just point to the administration for the problem, because we have great difficulty in resolving those issues up here. But some time this thing has to end.

Now you suggested that you go through, in 6 to 24 months, in your forest planning process, correcting the deficiencies identified by the court in the California cases. The truth of the matter is that following the end of that period, that 6 to 24 months, which is the internal administrative procedure to finalize forest plans, you will then have to go through all of the appellate process with respect to the administrative review, and that's outside the 6 to 24 months you've identified, is it not?

Mr. **Crowell**. It is. There's no way for us to estimate the extent to which some of those decisions coming out of the planning process will be appealed. The planning process of course deals with a lot more than just the roadless areas and there may be dissatisfactions expressed in appeals with respect to other outcomes of the planning process aside from the roadless area matter.

The **Chairman**. I think all of us are familiar and recognize even if there were national release language of the so-called generic term of congressional determination, that those areas that were not recommended for wilderness designation should be managed under multiple use. That doesn't end the controversy over how those lands shall be used.

Just on the wilderness choice itself, it would settle that one issue alone. But in this process you can't even tell us for certain that the process will be ended on that one issue in 6 to 24 months. That's only internal reviews, and the public processes that go along with those internal reviews. Then you have all of the period for the administrative appeals. Following that you have again all of the process for court review of all of that preliminary mechanism. So we can look forward as a result of the application of the California case, rightly or wrongly, and the uncertainty that it imposes upon all of the Forest Service lands, another period of several years which nobody wants to call but must face as being RARE III. The RARE III folded in the forest planning process. Is that not correct?

Mr. **Crowell**. You have stated the situation accurately, Mr. Chairman. I might make the one point, the 6 to 24 months we're talking about is an add-on to the timeframe which you have so articulately identified in your statement.

The **Chairman**. I just want to get that in some kind of a context because I don't want anybody walking out of this room assuming the plan that you have outlined here and will embark upon, will mean that in 6 to 24 months from now we will have this finally settled.

Mr. **Crowell**. It does not mean that.

The **Chairman**. Somehow the Congress has to face that responsibility. We haven't yet been able to resolve it. I hope we'll make substantial progress in this coming year and I dedicate myself to that effort. What efforts I've made for the last 2 years haven't been very fruitful, unfortunately, because we haven't been able to forge the concensus that was necessary to move forward. We must move forward. I must insist on that. We're going to do the best we can, and I will do the best I can here in the Congress and seek the assistance of others to bring this constant review to an end. At least on one issue, just one issue. If we could just settle one issue, then we could get on with the others.

Mr. **Crowell**. I can pledge to you, Mr. Chairman, my cooperation in your efforts to bring this matter to a conclusion. We are extremely interested in having it resolved and getting on with the management of the roadless areas, whether they are to be wilderness to some extent and nonwilderness to the rest of the extent.

ASSET MANAGEMENT

The **Chairman**. Let me shift for a moment to asset management. This becomes more of an issue perhaps in my State than many other places because we got involved in a congressional campaign, and the campaign for Lieutenant Governor in my State last year. Campaign dialog doesn't always yield more light than heat. I think the public became more confused, rather than more enlightened?

PUBLIC CONFUSION ON LAND DISPOSAL

Let me read just one thing that came out during that debate. According to figures released by one of the candidates, Secretary

Block's proposed legal changes, and I focus on that word legal changes because I'll be coming back to that with respect to the sale of Forest Service lands, "would open up the following acreage in various Idaho National Forests, possible sale," and I'm reading from a news story concerning a press conference which this candidate had, "In the Bitterroot National Forest, 2,844 acres; Boise National Forest, 1,883,222 acres; Cashe National Forest, 263,941 acres; Caribou National Forest, 928,285 acres; Challis National Forest, 1,460,554 acres; Clearwater National Forest, 1,214,968 acres; Coeur d'Alene National Forest, 722,691 acres."

I won't take the time to read the rest of that list, but I think you get the flavor of what was being said as a result of what was perceived to be the authority being sought by the Secretary, that being wholesale sale of very high percentages ranging from 10 percent to 97 percent of individual national forests in my State. Now that charge was ridiculous because it could never happen.

The reason I mention this is because there is on the part of the public, a great deal of uncertainty as to what the goals of the administration are with respect to the sale of public lands. Everything I've been saying and doing in the last several weeks and months has been to try to get the administration both to refine its targets and its rhetoric so people aren't confused any longer about what the goals were. And then this morning, Mr. Secretary, you used the rather broad term in page 3 of your statement, your objectives are to "sell excess Federal property, and some public lands would have a higher and better use of private ownership." Those are very broad terms. Every acreage that I just mentioned could fit within that term.

The second point you make is to improve efficiency and so on. The third one that you use, or that you elucidate in your statement, is to pay off some of the national debt. We couldn't sell enough public lands to keep up with the additions to the national debt. We're going to add $200 billion to the national debt this year and the public certainly can't be very comforted by the notion that you're going to dent that by the sale of public lands. And then I get further down in the statement today where you talk about, and you said earlier, somewhat less than 10 million acres in the refined estimate, and you say "could," if we enact legislation, result in revenues as much as $200 million in receipts; 10 million or $200 million at $20 an acre. There are a lot of people that will apply that kind of mathematics and come to either one of two conclusions. Either your acreage figure is wrong, or that your receipts figure is wrong, or that you plan to give it away.

Now if you're going to sell that out there for $20 an acre, I want to get in line.

Could you tell me what is your aim?

Mr. CROWELL. I'll be pleased to try.

IDENTIFICATION OF LANDS FOR STUDY

Let me start with the last point that you made in connection with my identification of the fact that we expect to identify less than 10 million acres for further study for possible sale, and the $200 million figure which is identified as a potential receipt from the sale of land, in fiscal year 1984. Assuming that Congress gave the Forest Service legislative authority to sell some national forest land, the study resulting in identification of 10 million acres would not result in a recommendation for a sale of all those 10 million or fewer acres. I have no way of knowing what the percentage might be, but it would be substantially less, I would suggest, than the total acreage being studied.

The CHAIRMAN. I apologize for interrupting, but as a matter of fact you can't be sure how many acres might be identified and you can't be sure what the price would be. How can you come up with an estimate of the receipts?

ADDITIONAL AUTHORITY NEEDED FOR LAND SALES

Mr. CROWELL. The estimate of $200 million for the 1984 sale program would be for the first sales of land that would be identified providing the new authority was put in place.

The CHAIRMAN. What new authority?

Mr. CROWELL. Legislative authority that the Secretary of Agriculture now lacks in order to carry out any kind of a sale program for national forest lands.

The CHAIRMAN. The reason I focus on this a little bit, Mr. Secretary, is I don't suppose it really comes as any great surprise to you that the public doesn't trust what your objectives are for whatever reason, rightly or wrongly. They don't know what it is you're up to. Some fear the worst. Some trust you but the general concept is that they don't know what it is that you have in mind and therefore they're not about to trust your objectives. And then when you ask for legal authority to do something which they don't understand, they're not very inclined to say well, let's give them the authority and see how he uses it. I'll tell you right now what I think is going to be the result of that process. You'll just batter your nose against a brick wall. You're not going to open the door because there's no door there until you can identify more specifically what it is that you're trying to do, and general authority is not going to be granted in my judgment by this Congress.

Mr. CROWELL. We're aware of that and we aren't proposing to ask for general authority. That's part of the objective. What we are trying to achieve in drafting legislation would be to assure people that we are not proposing a massive selloff of the national forest.

The CHAIRMAN. Can I make one suggestion? And that is you don't ask for authority until you can tell us what it is you're going to do and that comes down to specific suggestions on sales, specific lists on sales. Come up to the Congress with those maps you're talking about so people at home can take the map and drive out and look at the land. So they can know who is involved with what so that they'll know exactly what's there, and then say we want authority to do this. And let us help you draft the legislation that gives you the authority to do what the public will accept as a legitimate exercise of authority by the Federal Government.

I don't think people are against the idea that you've got some isolated tracts of land that you can't manage well and shouldn't try to manage. We all know that if there is land that is in that category, there are other statutes that do affect its disposal. State and local governments will have the opportunity to look to see whether it fits in with their needs and their management plans. We'll look to see, for instance, whether there is an isolated 20 acre tract somewhere in the midst of ranchers' holdings that you can't manage and that he ought to be able to manage, and that nobody else would really be in a position to manage it as well. It makes some sense to sell of that kind of an inholding. But if at the same time you ask for general authority to sell off inholding to ranchers, I suspect there will be a lot of the public who says, aha, I know what they're up to. They're going to do something that helps their cronies and doesn't meet the public need at all. Or there will be a 40-acre tract of timberland surrounded by State land that ought to be transferred to the State and vice versa, I might add. Some isolated tracts of State lands are totally surrounded by Federal lands amd ought to be transferred by the State to the Federal Government, and exchanges ought to be effected in those cases. Those within current statutory authority would affect those changes. When we get right down to it, the public, at least the public that I hear from, and I think I understand in Idaho, isn't anxious for a wholesale disposal, particularly in the context and on the heels of the public dialog with respect to the sagebrush rebellion and some of the most wild statements that were made during that discussion.

Mr. Crowell. Mr. Chairman, let me say the advice you have given is worth more than I've paid for. We are, I believe, anticipating some of the things that you have mentioned and we do propose—of course, we can't do otherwise—to involve not only the Congress but the public in the necessary debate which would be a prelude to granting any kind of additional authority to the Secretary of Agriculture for selling any portion of the national forest system.

ESTIMATED RECEIPTS FOR 1984

Now let me go back to the $200 million receipts, the proposal for 1984. If we were to average the land at $1,000 an acre, we would be proposing to sell 200,000 acres in 1984 in order to generate $200 million. If it were an average of $500 an acre it would be twice that, or 400,000 acres. That is not a significant part of the national forest system.

The Chairman. No, but it's a figure grasped out of the air.

Mr. Crowell. It's a figure that has been admittedly taken without identifying particular tracts of land in order to make some kind of an estimate about what the program could hope to generate in its first year of operation. Now it won't be the first time that estimates by budget makers are wrong, if that doesn't turn out to be the case.

The Chairman. We really hope that budget makers have more concrete basis upon which to make their estimates. I will say this, it's a great improvement over the $17 billion figure that's been batted around for a couple of years.

Mr. Crowell. I think that figure applies to all federal lands.

The Chairman. That doesn't help much because that only means that Secretary Watt is under greater suspicion. You're only going to sell $200 million and he's going to sell $16,800 million worth.

Mr. CROWELL. That $17 billion now, Mr. Chairman, was talked about over 4 or 5 years, not just 1 year.

The CHAIRMAN. I understand that. All I'm trying to do is get this debate in some kind of a context, and hopefully, that the public as a result of it can understand what the dimension of the program is and what its aims are.

LIMITATION OF CONGRESSIONAL AUTHORITY

There is one other point that is underlaying this discussion today that I think must be reiterated, that is you don't have the authority now.

Mr. CROWELL. That's correct.

The CHAIRMAN. And Congress isn't about to give it to you.

Mr. CROWELL. If Congress isn't going to give us any kind of authority under any circumstances, you're telling me that the program is dead.

The CHAIRMAN. I'm telling you that until you come up with a list of disposal of parcels that the public can see and evaluate and accept, Congress is not going to broaden your authority.

Mr. CROWELL. Can I ask you a question which will help us considerably? Are you saying by that, you feel our proposal for generating, or for identifying lands which would be considered further for sale if we got the authority, is not the way to approach this?

The CHAIRMAN. Not at all. What you have set out to do, I believe I understand. I'm not sure I understand. I have newspaper editorialists out in Idaho saying, I'm terribly naive because I'll even say that I think I understand. The process that was undertaken was a review of all your holdings.

Mr. CROWELL. All except the 50 million that we identified at the very outset as not to be considered for sale under any circumstances.

The CHAIRMAN. And I appreciate you correcting that statement; because to review the whole in order to determine whether or not there are some parts, some people immediately said, aha, I know what they're up to. And we've got articles like the one to which I referred.

Mr. CROWELL. Of course, those articles do not state the announced intention which was the entire intention of the program. And if it's been perverted or misrepresented that's unfortunate, but it sets a dimension to the public debate which is simply going to have to be narrowed. When we get down to a full and fair objective consideration of the whole proposal; I'm sure that everybody is going to be vastly reassured that when the proposal does come up we are not talking about selling any significant percentage of the national forest system or of the public land base itself.

The CHAIRMAN. I think the review you've undertaken is appropriate. I understand it. I think in spite of the fact that other people suspect your motives and therefore understand it differently than I, they will not be reassured, however, until they see the results. And so what I'm suggesting is that you don't get the cart ahead of the horse and ask for authority before people know what it is that you intend to use the authority to do.

Mr. CROWELL. Well, with your assurance that our proposal to identify lands which would be subject only to further study, and as I say it would be less than 10 million acres in the national forest system——

The CHAIRMAN. That does not imply that you intend to sell 10 million acres.

Mr. CROWELL. It does not. If that is what you are suggesting, I can assure you that we will have maps available that identify those lands which we are proposing could be further studied for possible sale after the full public debate is had about whether Congress will grant authority in a very limited way to conduct a land sale program for the national forest.

The CHAIRMAN. I'm not even sure I like to use the term "a land sale program" because that again raises fears in the minds of many people. I think if you concentrate on the center of the three points that you made in your statement today, and that is more efficient management of the public lands, the public would be less subject to whatever persuasion they're subject to today that question your motives.

REALISTIC SALE PROGRAM

Mr. CROWELL. I think the maps are going to help a great deal once we get them identified.

The CHAIRMAN. Although they will identify some part of a great deal more than you ultimately end up selling.

Mr. CROWELL. That's right, and it will not allay all fears, particularly among those who oppose it, and it won't meet the expectations of citizens who may very much favor a much larger sale program than we'll be coming forward with.

The CHAIRMAN. That $17 billion figure was never very real. Neither was the debate on so-called privatization of public land ownership. There have been, to the best of my knowledge, only one or two that have used that term. One was a member of the Council of Economic Advisers to the President.

Mr. CROWELL. He was just a staff member, wasn't he?

The CHAIRMAN. He spoke then and has spoken and written since. He's entitled to his own viewpoint, but I don't believe he's ever spoken for the administration and he has certainly never spoken for this committee or the Congress. Certainly never for this Senator.

That $17 billion was reduced in the 1982 budget total. It was reduced to $2 billion; and $2 billion didn't satisfy or allay public fears, although it was a much better figure than $17 billion. I would suggest that it's not in your purview, and some of the other lands that are in the management of other departments and agencies of Government, such as the Department of Defense, include such hot political items as Fort Dorsey on Waikiki Beach in Honolulu. I was in Honolulu not long ago and the people in Honolulu assure me they've got a variety of different ways to keep the Government from ever selling that to private developers.

Senator FORD. That seems like a very serious question that you and I ought to go back and investigate. [Laughter.]

The **CHAIRMAN**. I just mention that because there's a lot of unrealism on both sides. It isn't just the paranoia of the public that suspects your motives that has led to the mismatch of opinions. There's been a little unrealism within the administration too as to how much would actually be done.

Mr. **CROWELL**. Isn't that often the way in which programs evolve and are eventually shaped?

The **CHAIRMAN**. I think there ought to be a better way to do it than making the argument as big and wide and emotional as possible. I think we ought to try to limit that debate as much as possible.

Mr. **CROWELL**. I agree with that, Mr. Chairman, and I think a large part of the dimensions added to this debate were added by the alarmists over what had been said and by misinterpreting intentionally or unintentionally what had actually been announced by the administration with respect to its proposals.

The **CHAIRMAN**. They weren't sure what the announcement meant.

Mr. **CROWELL**. That led to speculation, no doubt about it.

The **CHAIRMAN**. I think there is one other thing that ought to be stated for further the record here today for understanding, and that is the words "public lands" have a generic legal sense in terms of the statutes of the United States. When that term "public lands" is used, the public understands that as everything that the Government owns. It's not just that which is in the administration of the Bureau of Land Management and not just that portion of those lands which is defined by the statute. They think the term "public lands" must mean public lands.

Mr. **CROWELL**. The administration has given repeated assurances that portions of lands which have been carved out of—in the generically used sense—the public lands for national parks, wildlife refuges, and that sort of thing, are not being considered for the sale program.

The **CHAIRMAN**. I understand that. And then some administration figure will come forward and say we're talking about selling some of the public lands without again redefining what is meant by the term, and immediately the question is opened up again. It seems like the latter statement was in conflict with the first. In a technical sense it was not. From the public perception sense it was. And the confusion multiplies.

Just one further question and then I'll turn the time to Senator Ford.

RESOURCES PLANNING ACT

You have before you a statement of the Congress in terms of legislation and the Resources Planning Act. The RPA set certain goals for the management of public lands and as far as I know, that's the latest, the best and most definitive of the policy statements enunciated in the laws of this country. The RPA planning goals set out after that act was passed set certain program objectives, not only by year but by dollar or budget amount. Research: RPA goals for 1984, $196 million. You've gone down from $105 to $101 million.

State and private forestry: RPA goals for 1984, $132 million. You've gone down from $62 to $25 million. RPA goal for timber sales and related costs, $817 million for 1984. You've made an increase from $579 million to $604 million, not the $817 million.

Reforestation and timber stand improvement, which was to have been expanded constantly over the period, had a 1984 goal of $261 million, you've gone down from $218 million to $117 million, not up to $261 million.

Fire protection, road maintenance, et cetera: 1984 RPA goals were $409 million and you've gone down from $247 to $214 million.

Recreation, wildlife range, soil and water: in 1984 the goal was $326 million. You've gone down from $185 to $173 million.

I won't take the time to recite the rest of the goals but I wonder if the administration looked very carefully at the Resource Planning Act in determining what its budget request would be for this year or if what you are not doing in your budget request is asking Congress to reconsider and rethink the entire concept of the Resource Planning Act.

UNREALISTIC GOALS

Mr. **Crowell**. Mr. Chairman, I think the best way to respond to the point you are making is that the RPA goals that you've read simply were unrealistic in view of the demands for tax moneys for all programs to be carried out by the Federal Government. I think they were unrealistic in the terms of the receipts and the benefits which could be generated from those kinds of expenditures. And it is true that we are well behind the RPA goals, and yet on the other hand I think that the budget we have presented, not just this year, but last year and the year before, are much more realistic in terms of what we can reasonably expect to achieve with management of national forests in relation particularly to all of the other public Federal needs and demands on the Federal Treasury. This money has to be paid for by the taxpayers eventually, whether we collect it in taxes in the year that it's spent or whether we take it in deficit spending and have to pay for it later. It still has to be paid for by the people of the United States, and the people of the United States are entitled to ask what are they going to get back in return for those kinds of expenditures. And we believe that the budget we have presented here and in preceding years during this administration are realistic ones.

I might say that the prior administration, of course, lagged behind in its recommendations for budgets annually in relation to the RPA goals that were in place for that administration, and it can only be said financial reality has to intrude upon this whole process. I would expect as we do the next RPA goal which I believe is due in 1985, that we in the Forest Service will be a good deal more realistic about what can be accomplished.

The **Chairman**. I have two comments. One is that what you're really saying is that in the judgement of yourself and this administration, we can't afford to do what we need to do in every instance. And second, that perhaps the goals themselves were set wrong in the first place.

Mr. **Crowell**. I would agree with that summary except I would amend it to say we can't afford to do everything we would like to do rather than what we need to do.

The **Chairman**. In your review for 1985 of the RPA goals, I hope you will keep in mind that Congress carefully delineated the needs in natural resource management, recognizing that natural resource management suffers dramatically in times of budgetary crisis. We tend to always say, well that's something we can do later.

Resources are not benignly affected by neglect. One of the examples, and there are many, is the Wild Free-roaming Horse and Burro Act, imposed by the Congress on you, that causes a deterioration of the resource that you are charged with managing. You, the BLM, and others. We won't allow you to change that. We try instead to avoid the necessity of confronting that difficult policy choice because of the loud voices of the few. But resource costs are not just in terms of budgetary dollars. Future generations pay a cost whether expressed in the budget or not and so the cost to the taxpayers expressed only in the outlays is also expressed in the condition of the resource base. I think we have to recognize that for future years, and I hope in the review for 1984 and 1985, the restatement of those goals will not avoid a hard and close scrutiny of that fact.

RPA GOALS AND COST-BENEFIT ANALYSIS

Mr. **Crowell**. There's a lot in what you say, Mr. Chairman. I think that many of the goals which were addressed by RPA in the past have not really been addressed with adequate attention to cost benefit analysis, and it's been too much a wish list of what we might like to accomplish without really analyzing the benefits that would be returned from it. And the economic measure of those benefits——

The **Chairman**. Sometimes it's awfully hard to put a dollar value on it. For instance, what's a day of fishing for salmon?

Senator **Ford**. Maybe we ought to go investigate that too. [Laughter.]

The **Chairman**. Senator Ford, thank you for your patience.

Senator **Ford**. I don't think there's anyone in Congress who can articulate the problems as well as you, Mr. Chairman, and I'm delighted that you take the posture that you do. I'm more than glad to participate with you this morning.

ENERGY DEMANDS

I have just a couple of questions that I wish to ask. I'm not sure which one wants to answer it, but Mr. Peterson you might because you gave the charts. On your very first chart, third item, demand for oil, gas, coal, and minerals. Explain that to me. Increased demand? Do you want to have some additional funds so you can gear up and get all these leases and everything out and sell a lot more coal?

Chief **Peterson**. The development of oil, gas, and other minerals take place over a long period of time. What we are seeing now is we made a lot of leases in the last 2 or 3 years and many of them are now coming to the State where they're being developed. They're actually putting in wells which requires additional looking.

Senator **Ford**. Domestic interest is down by 40 percent by the testimony we've had this week already. What is the acceleration and what makes your situation any more valuable?

Chief **Peterson**. One of the problems in looking at overall numbers is that both the eastern overthrust belt that goes down through the Appalachians and the western overthrust belt for oil and gas are still very active. Now, the coal is down in some places, reflecting a lower oil and gas price.

Senator **Ford**. You mean it's down in some places? I say coal is down everywhere.

Chief **Peterson**. We have very little coal. We're mostly talking about oil and gas.

Senator **Ford**. How many acres did you lease recently in sale of land for coal and minerals and so forth? Wasn't there a sale recently?

Chief **Peterson**. That was on the BLM national lands primarily. We had just a little bit of that.

But we're mostly talking about oil and gas here, not coal.

Senator **Ford**. So, what you're saying is that you're getting ready to sell more leases?

Chief **Peterson**. It's both leases and development of existing leases, which is a major activity in 1983 and 1984.

Senator **Ford**. How much development? What is the acceleration of development on the present leases? They are about to expire and begin to put holes down?

Chief **Peterson**. During the time that we were reviewing the roadless areas from 1977 to 1979 we generally didn't issue leases during that period because we were trying to sort out what areas would be wilderness and nonwilderness. At the end of that period we started making a lot more leases, in 1979 and 1980. They're just now to the point of starting to put wells down.

Senator **Ford**. I was under the impression that you would have to gear up based on more leases and need more personnel to handle that and funnel it out.

Chief **Peterson**. In some places this is true, but the increase next year is the exploration and development of putting down holes.

Senator **Ford**. Why does that cost you more money?

Mr. **Crowell**. Our role in that is that we approve operating plans as they affect the surface of the land. The leases are actually issued by the Secretary of the Interior and they're managed by the Department of Interior in the sense of collections and that sort of thing, but the leases contain conditions which require the lessee to file operating plans with the Forest Service as a surface managing agency, and it is because of the increased number of leases and the anticipated activity on some of those leases that we are anticipating the need to do more work in overseeing the surface use of the lease site and the access to those sites, all of which we have an oversight function to administer.

PERSONNEL REDUCTION

Senator **Ford**. In what areas are you reducing 10 percent of your personnel?

Chief **Peterson**. We reduced 10 percent in our Washington office.

Senator **Ford**. How many is that?

Chief **Peterson**. We reduced about 90 people.

Senator **Ford**. That's 900 employees and you've reduced that to 810.

Chief **Peterson**. Right, in about the last year. Now, we at the same time, increased some of the number of people we've got in mineral activities in the Washington office.

Senator **Ford**. What is your net improvement?

Chief **Peterson**. It's the 90.

Senator **Ford**. What is the reduction versus the increase?

Chief **Peterson**. In some parts of the Washington office it's totally reduced say over 100. We added a few back in minerals because it's been building up, so we had a net reduction of 90.

Senator **Ford**. What is it out in the field?

Chief **Peterson**. We reduced about the same amount in the field last year. About 10 percent.

Senator **Ford**. You're just asking the same people or fewer people to do more work and they can get more overtime?

Chief **Peterson**. No; we're not spending more money. Actually what's happening, we've gone through a wholesale review of everything we're doing out there to try to streamline the thing, to try to reduce the amount of time people are spending on things by doing a review of everything that we're doing. We're expecting to reduce again between 1983 and 1984.

Senator **Ford**. By how much?

Chief **Peterson**. Another 4 percent in terms of full-time equivalents.

Senator **Ford**. You talked about 3-month employees a moment ago. You're going to increase your so-called summer or seasonal workers?

Chief **Peterson**. The full-time equivalents include three seasonal workers that work 4 months a year.

Senator **Ford**. Three would work 4 months or four would work 3 months and you give that a full-time employee.

Chief **Peterson**. Right.

HOUSING START PROJECTIONS

Senator **Ford**. I noticed in the beginning, Mr. Secretary, you laid out all the programs that you're going to be faced in developing a budget. Explain to me. If my memory is correct, December as related to the housing industry was down again, rather than the moneys that are going into low cost housing or the Federal Government increased the permits the latter part of September, early part of October, which gave an increase. We had to dump the money in right at the end just before November, and the rate in December was down, but you're projecting a 5-percent increase in the housing market, or 5 percent in sales of the billion board feet?

Mr. **Crowell**. I think we're picking up housing start projections from outside sources as well as from our own research division, and the expectation I think is pretty well agreed that housing start rates in 1983, we're talking about calendar year 1983, ought to be up to around 1.4 million which would be a 40-percent increase above 1 million from where they've been in the last 2 years.

Now, you're right, the November housing starts on an annualized basis did reflect 1.4 million rate start. December was down as I recall to 1.2 something, I've forgotten what the figure was, but with interest rates having declined as they have and mortgage rates coming down with them, the expectation is that housing starts will gradually improve and so I think that the 1.4 projection for 1983 is probably about the best. It represents a concensus of the best evaluations of what we can look for in that calendar year.

In 1984, the housing start projections would be a little bit higher than 1.4. Of course, the timber that is sold in 1984, which is the subject of the budget under discussion here today, won't actually be brought to market until years after 1984 because it takes time to harvest it, get the roads built, get it processed and so on, so we're looking at a fairly long time span here, and we're looking at hopefully, housing starts that are going to be a good deal higher than 1.4 by 1985 and 1986.

NEW TIMBER SALE DEPOSITS

Senator **Ford**. What do you require of a purchaser to put up on the sale of timber? New timber sale.

Mr. **Crowell**. Currently, the requirement is for 5 percent of the purchase price.

Senator **Ford**. So, if it's $1 million, it's 5 percent of $1 million?

Mr. **Crowell**. That's right. And then by midpoint, let's see, at the end of the operating season following the midpoint of sales which are for more than 2 years, or 3 year sales, the purchaser is required to put up, if he hasn't already harvested at least 25 percent of the sale, 25 percent of the value of the sale. He's got to put up enough additional to make that percentage, what he has paid or what he has in his sale by then.

READVERTISING OF DEFAULTS

Senator **Ford**. In your statement, and I underscored "because of defaults accompanied by bankruptcies," how many defaults do you expect that you will be readvertising?

Mr. **Crowell**. We have in the 1984 budget proposal an expectation of reoffering for sale about 800 million feet which we are guessing could be defaulted in calendar year 1983.

Senator **Ford**. How many purchases does that represent?

Mr. **Crowell**. That's very hard to say because of the changes or the differences in the volumes that are offered.

Senator **Ford**. Would it be 100, 150, 200?

Mr. **Crowell**. If you were to divide the 800 million by say 4 million feet as an average sale size, you would then come up with 200 sales that had actually been defaulted. Now, there would be probably fewer purchasers involved because many purchasers, of course, have more than one sale. And if a different purchaser gets in a position of having to default, he's likely to default not just one but more than one of the sales that he holds. Now, this is very problematic because there is under consideration potential relief from this problem of sales which may default and it's possible that if such relief were to be enacted, either by Congress or were to be achieved through some administrative means, we could get a lot more than 800 million feet back which would then be available for reoffering, but nobody knows at this point just what that might be in 1984.

Senator FORD. What you're telling me is that these people bought too high, the market dropped, and therefore for economic reasons they are having to default on their bid or their purchase of *x* number of board feet.

Mr. CROWELL. That's essentially correct.

Senator FORD. When you refer to bankruptcies are you talking about bankruptcies of mills or companies who have purchased and gone under and therefore will default as a result of going under?

Mr. CROWELL. Yes; that would be part of the picture representing defaults. We also anticipate that we'll be getting defaults from people who are still solvent.

Senator FORD. If you're going to have 200 defaults——

Mr. CROWELL. I'm not saying that's the figure.

RELIEF FOR DEFAULTS

Senator FORD. Well, say 100 then. Any figure. Sales of Forest Service timber. What do you think we ought to do about it? You said there may be some congressional help or there may be administrative. You're talking about change of regulation. What are you going to do? Do like we do in foreign countries, just write it off, let them stay there or what?

Mr. CROWELL. The prospects for granting relief administratively are rather limited. There is a proposal being supported by the forest products industry which the administration has not supported because it's essentially viewed, perhaps oversimplistically, as a bailout. The proposal involves permitting termination of 40 percent of the volume of the contract by any particular purchaser, and then allowing the other 60 percent——

Senator FORD. You're talking about the forest product industry. What do you think about it? You're the Under Secretary. You're the fellow I'm looking to for advice and counsel. I listen to these other people. I'd like to have your thought on it.

Mr. CROWELL. My view is that an appropriate way to solve this problem would be to permit purchasers to terminate sales upon payment of an amount to the Government which would reimburse the Government for the cost of reselling and would be also a partial recovery of the expectation of the Government, that the Government didn't realize as a result of default.

Senator FORD. What are you going to do with the rest of the areas of the Federal Government, where the Government didn't realize what they anticipated, and then you just charge everybody a little extra fee?

Mr. CROWELL. What example do you have in mind?

Senator FORD. You just go up and go bankrupt. You can buy a pickup truck 10 days before you go bankrupt and then you can keep the pickup truck for a year. I'm looking at this sort of thing.

The automobile dealer sits out there and he's in bad shape, and yet we pass laws up here so that you can take the bankruptcy law and keep that car for a year or whatever the necessities are. Here are companies in the Northwest, and I know very little about it. Only what I listen to here, but I see companies up there from my limited knowledge that are going broke. They're going bankrupt and yet they're not going to be around to participate in the resurgency of the housing industry that you're projecting for 1984. So I'm asking you what do we do to help these people to keep them in business so they can share in a piece of what's coming that you anticipate?

Mr. CROWELL. I don't think there is a fair or equitable solution to this problem from the standpoint of everyone involved or who may be interested in it.

Senator FORD. There's no fair way to do it.

Mr. CROWELL. There's no fully fair way. If the Government is going to afford any kind of relief it's going to have to take something less than its original expectations. If on the other hand a purchase is going to be required as a condition of being able to turn back, by me as a contractor pay something, some purchasers may not be able to afford even a nominal amount, and that will be unfortunate. The fact is they bid the contracts at the original price, which they now find they can't operate.

Senator FORD. What you're telling me, Mr. Secretary, is only the big ones will be around.

Mr. CROWELL. I'm not saying that.

Senator FORD. You're not offering any help as I see it. I may be wrong, Mr. Chairman, but it seems to me what I see looking at it, the small operators in the Northwest and others who have tried and struggled and probably made the industry go, and now only the big ones are going to be left. They're the ones that are going to be there to reap the reward for any resurgency of the economy.

Mr. CROWELL. The review that the Forest Service has made of the situation indicates that there are some big companies that are in serious trouble as a result of what by hindsight could be characterized as imprudent bidding on timber sale contracts.

Senator FORD. We all have 20-20 hindsight, but very few of us have a crystal ball.

Mr. CROWELL. There are other companies, small companies and big companies, that bid much more prudently. They will come out of this situation in a very good competitive position. This is not a big or a small issue. It is much more complicated.

Senator FORD. I find the suggestions I'm getting here are not helpful to me to make a decision and I'm only left to go with those who are in the business that are having problems. They probably have the best answers anyhow, but I was hoping we could get some kind of a view other than stick it to them.

Mr. CROWELL. I'm not sure you heard me correctly. I suggested that one way to compromise this problem about the fairness to everybody, buyers and sellers, and the people who are competitors but did not buy these sales at these high prices, would be to call for some kind of payment. Not the full expectation of the Government's contract price recovery, but some kind of payment as a condition of being allowed to turn back sales. Now that's the best compromise I can offer. That is about where I've come to personally. You've asked for my personal view and I'm giving it to you.

SUMMARY

The CHAIRMAN. I want to add just two things. First, this record should reflect here today that this committee on September 28 of last year by a vote of 13 to 2 did report legislation dealing with this question.

Second, one point that might be made in the big versus small question is that some of the larger companies had the advantage of being integrated, diversified companies which had paper operations as well as timber operations, and paper operations were doing better economically longer than the dimension lumber business was. And those companies which had paper operations were therefore able to survive in the competitive market somewhat longer than some of the smaller companies that were otherwise hit harder earlier in the lumber market, isn't that correct?

Mr. CROWELL. There's a lot in what you say, Mr. Chairman, but it should also be noted that a great many small companies sell pulp logs to paper companies and in a sense they're integrated also. As I say, it's not a simple problem. It's a very complex matter.

The CHAIRMAN. Thank you Mr. Secretary. I'm sure there will be other questions that will be submitted by various members. I will ask that members have those questions to be submitted in writing, submitted through staff by close of business today, and ask that you provide written responses for those questions by the end of next week so they may be included in the record.

Mr. CROWELL. We will do so.

The CHAIRMAN. Thank you very much for your patience. You have a tough job. The questions this morning raised tough issues. I think we all respect what you are trying to do and we'll continue to try to work together to try to find the solutions.

Mr. CROWELL. I thank you for those kind words, Mr. Chairman, and I appreciate the interest by both the majority and minority members of the committee in the matters that the Forest Service has to deal with.

The CHAIRMAN. Thank you.

During the last 2 years this committee has followed with great interest the progress of the Synthetic Fuels Corporation. At last year's hearing, the Corporation outlined its plans for awarding financial assistance. Until recently I was disturbed by the slow pace of progress. For that reason the Interior Appropriations Act for 1983 requested a report from the Corporation.

[At the request of the chairman, the following material was inserted for the record:]

[Extract from explanatory statement of the Committee on Appropriations, U.S. Senate, on the Department of the Interior and related agencies appropriation bill, 1983]

DEPARTMENT OF ENERGY

ENERGY SECURITY RESERVE

The Committee believes that greater progress can be made by the Synthetic Fuels Corporation (SFC) in awarding financial assistance to synthetic fuels project proposals which have been submitted in response to earlier general solicitations. In the

Committee's judgment the slow pace of progress by the SFC has been responsible in part for the recent withdrawal by several industrial sponsors from certain of these projects and the withdrawal of other proposals. Unfortunately, while the first solicitation closed belatedly on January 4, 1982, and the second solicitation (which included proposals submitted under the first solicitation) closed on June 1, 1982, no awards of or commitments to award financial assistance have been made. The Committee believes that this record can, and should, be improved.

In this regard, the Committee notes that over a 9-month period the Department of Energy progressed from the solicitation stage to the granting of financial assistance to three projects under the interim program authorized by the Defense Production Act and the Nonnuclear Energy Research and Development Act of 1974. The Committee wishes to emphasize to the SFC that it must submit its comprehensive strategy to the Congress by June 30, 1984. Therefore, the SFC only has approximately 19 months to complete its initial mission as mandated by the Congress through the Energy Security Act (Public Law 96-294).

Several significant problem areas have been identified by the Committee which the SFC is directed to address as expeditiously as possible. Accordingly, appropriate Committee recommendations are offered. And the SFC is requested to advise the Committee by January 14, 1983, of the steps taken and progress made, to resolve the following problems:

(1) The Committee is disturbed to learn that the SFC, after three general solicitations, is now exploring "targeted" solicitations designed for specific resource bases and potential equity sponsors. The Committee believes that such targeted solicitations should be used only where it is believed they will be timely and effective in achieving the SFC's statutory mandate. Moreover, targeted solicitations must not be allowed to result in delays or, more importantly, be used as a procedural tactic for delay.

(2) The Committee directs that the SFC cease efforts to explore the awarding of financial assistance in support of the demonstration of synthetic fuels from the Naval Oil Shale Reserves. Such efforts by the SFC only serve to divert the resources of the SFC from its statutory mandate. Similar arrangements, suggested by the Department of Energy in 1978, were rejected by the Congress.

(3) The Committee is concerned about the current difficulties that project sponsors are experiencing in arranging equity financing. Overcoming this obstacle is of paramount importance to the Committee. The recent action by the Board of Directors is a positive first step, but in the judgment of the Committee, such action is insufficient to overcome the obstacle.

We therefore, recommend that the Board of Directors provide letters of intent or conditional commitments to those projects which may not yet be in a position to enter into final financial assistance agreements with the Corporation, but are sufficiently mature to enter into serious negotiations as to the terms and conditions of financial assistance, with the expectation that full equity formation and final agreement on terms and conditions of financial assistance will proceed simultaneously after issuance of letters of intent or conditional commitments. In the Committee's judgment, more meaningful, near-term commitments are needed from the SFC in order to significantly enhance the ability of project sponsors to achieve necessary levels of equity capital.

In the Committee's judgment, the Energy Security Act allows the SFC to issue letters of intent or conditional commitments, without causing the Department of the Treasury to reduce the Corporation's obligational authority, in the event a financial assistance agreement is never executed or, even if executed, is later canceled before being implemented.

(4) In addition, the SFC should take steps to encourage equity investment in the emerging domestic synthetic fuels industry. In this regard, the Committee is encouraged by the recent effort by the SFC to reach out to investors and urges the SFC to expand that effort even further.

(5) Further, it is important, in order to attract equity capital to synthetic fuel projects, for the SFC to display a greater public openness with regard to its substantive policies. There is a need for more frequent statements of policy or programmatic objectives, such as that announced by the Board on July 15 regarding resource base diversification which provided greater certainty to the investment community and potential project equity sponsors as to the broader goals and objectives of the Corporation. For example, no similar policy statements have been issued with regard to uniformity of terms and conditions of financial assistance. This has led to significant uncertainty and hesitation by potential equity sponsors.

(6) Further adding to the overall level of uncertainty, no meaningful responses have been provided to a number of project sponsors in the previous solicitations re-

garding major portions of their applications, including financial and marketing plans. The SFC must recognize that while current project sponsors are seeking to respond to SFC requirements for greater equity participation, they are currently handicapped in their efforts to achieve further private sector participation by the lack of substantive SFC review and specific comment on the status and quality of submitted applications. The Committee views this as a minor problem with major adverse repercussions. Successful early resolution of the problem is requisite and should not require significant SFC time and effort and should be limited to those projects found to be sufficiently strong and mature for preliminary negotiations, as defined by SFC guidelines. For instance, it is our understanding that there exists basic loan guarantee and price guarantee documents which have been drafted by the SFC, yet these have not been made available to those projects currently in negotiation. Sharing of these documents with all parties could easily accelerate the entire negotiation process.

(7) Under section 131(u) of the Energy Security Act certain cost-sharing agreements to refine the design of projects are specifically authorized. Cost-sharing agreements are authorized to allow for detailed design and cost estimates prior to the awarding of loans or loan guarantees. The Committee is encouraged by the recent action by the SFC, but the Committee believes that the SFC has not made maximum use of section 131(u) cost sharing to advance proposed projects to awards. However, the Committee emphasizes that any agreements negotiated in this regard cannot be permitted to further delay the final award process, pending completion of preliminary engineering designs.

(8) The Committee is concerned that inadequate communication is being provided the SFC Board of Directors by the SFC staff on the progress of individual project negotiations. Too often project sponsors are frustrated and valuable time is wasted because the SFC staff either have inadequate decisionmaking capability or have not sought adequate authority. For example, there is evidence that the SFC staff did not present the Board, in a timely manner, with recommendation for the use of conditional commitments and may in fact have withheld such information from the Board, (that is, regarding condition commitments). In this regard, some of the SFC staff seem to be more responsive to pressures from Federal agencies (for example, the White House and the Department of the Treasury) than the needs of the SFC Board for timely information. SFC officers must be prepared to fully support the congressional mandated policies and objectives for the Corporation to provide legally authorized financial assistance, and the Committee expects that such support will be forthcoming.

Also, the Committee, and indeed the Senate, continues to be concerned as hearings before the Committee and the Committee on Energy and Natural Resources indicate, with the SFC's history of attempts to stretch its statutory mandate so as to engage in activities that were not envisioned, or specifically precluded, by the Congress. Such self-initiated SFC only further divert the SFC resources from timely achievement of its statutory mandate. What is needed is more constructive progress toward the award of financial assistance.

The CHAIRMAN. I therefore am encouraged by recent events. For example, as Secretary Hodel noted before this committee on Tuesday, last week the Cabinet Council supported the current activities of the Synthetic Fuels Corporation as reflected in recent general and targeted solicitations. I am also encouraged by recent aggressive actions by the Corporation's management when it issued letters of intent to the First Colony and Santa Rosa projects. Nevertheless, the pressures are still there and it is growing late.

There is a need for the Corporation to make final awards of financial assistance during the next 6 months in the areas of oil shale, heavy oil and tar sands, and coal liquids. In making these awards the Corporation can utilize the accelerated and flexible approaches authorized by law. The Energy Security Act anticipated targeted solicitations, negotiated contracts, and joint ventures as well as general solicitations. Immediate, and final, action is needed on proposals received under the general solicitations. Targeted solicitations should be to achieve those statutory obejctives that cannot be achieved with awards under the general solicitations.

Targeted solicitations must not be permitted to create delays. For example, if the universe of proposals utilizing a particular resource base or technology has been fully defined under the general solicitation, then caution must be exercised before moving to a similar targeted solicitation.

I am also encouraged by the recent use of a section 131(u) cost sharing agreement to advance a proposed project toward an award. However, I wish to emphasize that such arrangements must be utilized judiciously. While there is value to the Corporation in improving financial estimates, there is no statutory right on the part of project sponsors to such funds. Moreover, such cost-sharing agreements must not be permitted to delay final awards. But equally important, the utilization of 131(u) moneys by one sponsor cannot be allowed to create an advantage by one sponsor over another in what is otherwise required by law to be a competitive award process.

In another vein, the committee is particularly interested in determining the apparently critical impact of the Tax Equity and Fiscal Responsibility Act [TEFRA] and the recent expiration of certain energy investment tax provisions on the financial viability of synthetic fuels. I intend to explore this matter with the SFC and seek additional information from the SFC on the effect on specified proposals before the Corporation and on private sector investments in synthetic fuels generally.

Chairman Noble and President Schroeder, I welcome you and I look forward to your testimony.

I enjoyed very much the opportunity to work with you over the last couple of years, and I particularly enjoy the opportunity to be looking forward much more optimistically at this juncture than may have been the case some months ago.

STATEMENT OF HON. EDWARD E. NOBLE, CHAIRMAN OF THE BOARD, U.S. SYNTHETIC FUELS CORPORATION, ACCOMPANIED BY VICTOR A. SCHROEDER, PRESIDENT, U.S. SYNTHETIC FUELS CORPORATION, AND DWIGHT INK, VICE PRESIDENT FOR ADMINISTRATION, U.S. SYNTHETIC FUELS CORPORATION

Mr. Noble. Thank you.

Mr. Chairman and members of the committee, I am pleased to have this opportunity to testify before you this morning. Before I begin I would like to introduce Mr. Victor Schroeder who is President of the Corporation and Mr. Dwight Ink who is Vice President of Administration. They also may help me in answering some of these questions. I would also say in the interest of time I have abbreviated my testimony this morning. I would ask you to include the full written text in the public record of this hearing.

The Chairman. It is so ordered.

Mr. Noble. When I was here last year I told you that our goal at the Corporation was to assist development of a diversified, private sector synthetic fuels industry. I explained why, despite my personal free market bias, I strongly support a Federal role in the initial development of synthetic fuels, and I discussed how we planned to proceed.

Our emphasis would be on projects; we would communicate openly and freely with others interested in synthetic fuels; and we would hold administrative costs to a minimum consistent with the pace of project development. I also provided a chart outlining our proposed solicitation and awards schedule under which we proposed to issue four solicitations by January of 1983 and to make awards under the first and possibly under the second solicitation during 1982.

One year later I can report that the Corporation has in fact efficiently controlled administrative expenses, significantly improved our communication efforts, especially through our outreach initiatives toward industry, and almost precisely maintained the project solicitation schedule which we shared with the committee last year. We have not, however, made any financial assistance awards.

The obvious question is "why not?", and the short answer is "because no project was ready." The much more complex explanation concerns both the time required for a project to reach maturity and the very significant changes that occurred in economic and energy conditions in 1982.

In developing a commercial scale synthetic fuels industry, we are dealing with highly complex, innovative technologies. Individual projects require substantial amounts of time to perform the engineering work and detailed design which will reduce the likelihood of large cost overruns during construction and operation. Recognizing this, our Board of Directors has decided to favor a more controlled development schedule for projects initially, in the hope that this will lead to more financially secure projects in the long term.

A greater impediment to rapid project development during 1982 was the combination of a weak economy and soft oil prices. I do not want to belabor the obvious, but conditions have changed dramatically since 1979 and 1980. One of our principle jobs at the Corporation today is to work with sponsors to maintain acceptable project economics while they assemble the equity needed to proceed. We have attempted to create an environment where business investment could occur, consistent with the strategic needs of the country to the benefit of all.

While on this subject of congruity between corporate and government interests—something the Japanese, for example, manage exceedingly well I would particularly call your attention to the private sector's need for consistency in Federal policies and programs. I have made the point this morning that synthetic fuels projects are a long time in developing. No responsible investor or manager is likely to commit to a multiyear project if he has reason to believe the "rules" will be changed in midcourse. For example, certain tax laws embodied in the Tax Equity and Fiscal Responsibility Act of 1982, as well as the failure to extend the energy investment tax credits affirmative commitment date, had highly negative effects on synthetic fuel investment. The business community must be given some real assurance that, if it commits to synthetic fuels projects, it can proceed under a new and constant set of rules.

I mentioned earlier that the Corporation emphasis is on projects, and I would like to take a few minutes to tell you about our program. We have issued four solicitations to date. The first three were general solicitations and we received a good number and variety of responses. We were pleased at the overall quality of proposals that improved with succeeding solicitations and we were particularly encouraged that several projects not advanced in one solicitation strengthened themselves substantially before reapplying in a later solicitation. In fact, six of the seven projects presently in negotiations under the second solicitation had originally applied to and been dropped from the first solicitation.

As the general solicitations proceeded and the Board gained a better understanding of both the process itself and the needs of industry, a number of modifications were made. For the most part, these were toward simplifying the evaluation process and allowing sponsor readiness rather than Corporation procedures to determine its pace. Under the third solicitation, for example, a project could begin negotiations as soon as it passes the maturity review and has substantial equity in place.

Throughout 1982 the Board was also making a number of specific programmatic decisions. We determined that an initial concentration on project diversity would provide the best basis for maximum long term production. Up to $6 billion would be earmarked for coal projects, $3 billion for oil shale, and $1 billion for tar sands and heavy oil projects and that all forms of financial assistance would be available for the best projects in these three solicitations.

We also decided to initiate a series of targeted solicitations. Accordingly, a solicitation for western oil shale projects was formally issued on January 20, 1983, and we anticipate additional solicitations targeted to the coal resource base. The specific parameters of these will depend on programmatic determinations by the Board, as well as on their judgement about the strength of coal projects in the third solicitation. If the solicitation process fails to produce acceptable proposals, and upon complying with applicable provisions of our statute, the Corporation does intend to proceed to sole source negotiations with qualified concerns.

Currently the Corporation is conducting negotiation discussions with seven projects in the second solicitation. Three are coal including one peat-to-methanol, three are tar sands, and one is a heavy oil conversion project. I have issued letters of intent to the Santa Rosa tar sands project in New Mexico and to the First Colony peat project in North Carolina, with which we are also negotiating an agreement for 131(u) moneys under the Energy Security Act. The Corporation anticipates several awards during 1983.

The Corporation received 46 proposals in response to its third solicitation; a number of these are technically mature projects with significant equity commitment. Without preempting Board decisions, I think I can safely report to you this morning that we anticipate assistance awards promptly under the third solicitation. We have included this assumption in our fiscal year 1983 and 1984 programmatic budgets.

Under the targeted solicitation for western oil shale projects, qualifying bids must be submitted by March 15, 1983, and more detailed proposals and competitive bids are due from qualified proposers by June 1. Low bid winners will be selected on July 1, 1983, and contracts finalized in the fall of 1983. This is a purposely expedited process, designed to respond quickly to those willing to commit major equity to pioneer oil shale projects.

The targeted coal solicitations will follow and parallel the oil shale solicitation in terms of accelerating process and emphasizing equity and management commitment.

In projecting our programmatic budget numbers, we have made certain assumptions about the projects we are likely to fund. Again, without prejudicing Board decisions, I can say that we expect to assist about a dozen commercial projects by the end of fiscal 1984, scaled for production of up to 20,000 barrels per day. Plants of this size will have less difficulty with equity formation, and each will require a smaller commitment from the Corporation thus allowing us to extend our financial authority to support a greater number of projects and build a broader base of experience and infrastructure.

Because 11 oil shale proposals remain before the Corporation under the third solicitation and a targeted shale solicitation is now open, it is our hope that funding for oil shale projects can be substantially completed by the end of fiscal year 1983. Then in fiscal year 1984, the greater part of our programmatic budget would be used to fund coal conversion projects. Tar sands/heavy oil projects are expected to be funded more heavily in fiscal year 1983, because of the readiness and smaller capital requirements of these projects.

I have spent the better part of this testimony on a discussion of projects, because this is our principal point of concentration. But we are also beginning now to focus on a second major responsibility: Development of the comprehensive strategy to be submitted to Congress by June 1984. Late last year the Office of Planning prepared and circulated to the Board and senior staff a concept plan for developing the comprehensive strategy. Following comments on this plan, the planning staff continued further definition of tasks and scheduling work which is now essentially complete, and a timetable for development work is being finalized. One-on-one exchanges between Board members and the planning staff have also begun, and we expect these will be frequent and productive through 1983 and into 1984.

In conclusion, I would like to thank the members of this committee for your interest and your support. All of us at the Corporation, directors and staff, recognize the importance of constructive congressional oversight. In that regard, we have just recently responded at some length to questions raised by the fiscal year 1983 Interior and related agencies conference report concerning specific progress and policies at the Corporation. With the hope that this material may be helpful to the committee, I have taken the liberty of appending it to my testimony, and I'll be glad to discuss it further with you. I also want to assure you, gentlemen, that we are doing our very best to promote a responsible program that will give the country the important strategic option of a proven synthetic fuels capability, and we are attempting to do this in a way that will foster increased confidence and cooperation between business and government.

Thank you, and I'll be glad to try to answer your questions.

[The prepared statement of Mr. Noble follows:]

United States Synthetic Fuels Corporation
2121 K Street, N.W. Washington, District of Columbia 20586 Telephone: (202) 822-6600

Testimony of Edward E. Noble, Chairman
U.S. Synthetic Fuels Corporation
Before the Senate Committee on Energy and Natural Resources
February 3, 1983

Mr. Chairman, Members of the Committee: I am pleased to have the opportunity to testify before you this morning.

When I was here last year I told you that our goal at the Corporation was to assist development of a diversified, private sector synthetic fuels industry. I explained why, despite my personal free market bias, I strongly support a federal role in the initial development of synthetic fuels, and I discussed how we planned to proceed. Our emphasis would be on projects; we would communicate openly and freely with others interested in synthetic fuels; and we would hold administrative costs to a minimum consistent with the pace of project development. I also provided a chart outlining our proposed solicitation and awards schedule, under which we proposed to issue four solicitations by January 1983, and to make awards under the first and possibly under the second solicitation during 1982.

One year later, I can report that the Corporation has, in fact, efficiently controlled administrative expenses, significantly improved our communications efforts, especially through our outreach initiatives towards industry, and almost precisely maintained the project solicitation schedule which we shared with the Committee last year. We have not, however, made any financial assistance awards.

The obvious question is "why not?" and the short answer is "because no project was ready." The much more complex explanation concerns both the time required for a project to reach maturity and the very significant changes that occurred in economic and energy conditions throughout the free world in 1982.

In developing a commercial scale synthetic fuels industry, we are dealing with highly complex, innovative technologies. Individual projects require substantial amounts of time to perform the engineering work and detailed design which will reduce the likelihood of large cost overruns during construction and operation. Accordingly, our Board of Directors favors a more controlled development schedule in the beginning, which hopefully will lead to a more financially secure project in the long term.

Another impediment to rapid project development during 1982 was the combination of a weak economy and soft oil prices. I do not want to belabor the obvious, but conditions have changed dramatically since 1979-1980. One of our principal jobs at the Corporation today is to work with sponsors to maintain acceptable project economics while they assemble the equity needed to proceed. We have attempted to create an environment where business investment could occur, consistent with the strategic needs of the country, to the benefit of all.

While on this subject of congruity between corporate and government interests -- something the Japanese, for example, manage exceedingly well -- I would particularly call your attention to the private sector's need for consistency in federal policies and programs. I have made the point this morning that synfuels projects are a long time in developing. No responsible investor or manager is likely to commit to a multi-year project if he has reason to believe the "rules" will be changed in mid-course. For example, certain tax law changes embodied in the Tax Equity and Fiscal Responsibility Act of 1982, as well as the failure to extend the Energy Investment Tax Credits affirmative commitment date, had highly negative effects on synthetic fuel investment. The business community must be given some real assurance that, if it commits to synthetic fuels projects, it can proceed under a known and constant set of rules.

* * * * *

Funding for Corporation activities is derived from the Energy Security Reserve established in the Treasury. The Supplemental Appropriations and Recission Act of 1980 appropriated $17,522,000,000 to the Energy Security Reserve to provide:

- $6,000 million immediately available to the Corporation (July 8, 1980);
- $5,310 million ($300 million of which was later rescinded), available for transfer from the Department of Energy (DOE) insofar as not committed or conditionally committed by DOE. Unobligated balances in the amount of $2,694 million were transferred when the Corporation became operational;
- $6,212 million made available after June 30, 1982; so that
- A total of $14,906 million was subsequently available to the Corporation, not including funds committed to projects transferred to the Corporation when it became operational;[1]
- Application of administrative expenses in FY 1981 and FY 1982 has subsequently reduced the balance to $14,887 million.

---

[1] These figures do not include the $1.15 billion commitment for loan guarantees for the Colony Shale Oil Project, nullified in June 1982, the status of which is under review by the General Accounting Office.

Through FY 1982, $18.6 million has been expended for administrative operations of the Corporation, including generic studies. Administrative expenses are expected to amount to $23.6 million in FY 1983, and $26.9 million in FY 1984, versus authorized levels of $54.1 million and $56.7 million in FY 1983 and 1984, respectively. Projected increases in the administrative budget for the next two years reflect the completion of staffing to handle intensified project evaluation, negotiation, selection, and monitoring responsibilities and to develop the comprehensive strategy required by the Energy Security Act.

No programmatic commitments were made by the Corporation in FY 1982, despite our original estimate of up to $4.5 billion. In our current programmatic FY 1983 budget, we have allotted $6.0 billion (down one-fourth from an earlier figure of $8.0 billion), and we are projecting $7.2 billion for programmatic work in FY 1984. These latest budget figures are adjusted to reflect present realities, and they assume funding for about a dozen projects by the end of FY 1984.

When the Corporation was declared operational by Executive Order No. 12346 (February 1982), there were 112 full time employees. By the end of FY 1982, the staff had increased to 177 persons, and during FY 1983 the Corporation is expected to add a net of 20 staff members, to a total of 197. In FY 1984 staffing will be completed at 238 employees. Of this total, an estimated 158 will be professionals, well under the 300 authorized by the Act.

* * * * *

I mentioned earlier that the Corporation's emphasis is on projects, and I would like to spend some time now explaining our program. We have issued four solicitations to date. The first three were general solicitations, to which we received a good number and variety of responses. We noted that, with each succeeding solicitation, the overall quality of proposals improved, and we were particularly encouraged that several projects which did not pass in one solicitation made significant progress before reapplying in a later solicitation. In fact, six of the seven projects presently in negotiations under the second solicitation had originally applied to and been dropped from the first solicitation.[1]

---

[1] These are: North Alabama; Calsyn; Cool Water; HopKern; Kensyntar; and First Colony.

As the general solicitations proceeded and the Board gained a better understanding of both the process itself and the needs of industry, a number of modifications were made. For the most part, these were towards simplifying the evaluation process and allowing sponsor readiness rather than Corporation procedures to determine its pace. Under the third solicitation, for example, a project could begin negotiations as soon as it passed the maturity review and had substantial equity in place.

As this general solicitation process was ongoing throughout 1982, the Board was making specific programmatic decisions. Early in 1982 we determined that an initial concentration on project diversity would provide the best basis for maximum long term production. By mid-year we had made initial funding designations of $6 billion for coal projects, $3 billion for oil shale, and $1 billion for tar sands and heavy oil projects, and had announced that all forms of financial assistance would be available for the best projects in these three solicitations.

Given the Board's more definitive programmatic agenda, increased experience with general solicitations, and growing awareness of industry needs, a decision was made in the summer of 1982 to initiate a series of targeted solicitations. These would allow the Board to focus directly on types of projects appropriate to its programmatic objectives and to provide industry with more explicit guidance as to what the Board considers necessary and desirable in a project to be awarded financial assistance.

A solicitation for western oil shale projects was formally issued on January 20, 1983, and within the next few months we anticipate additional solicitations targeted to the coal resource base. The specific parameters of these will depend on programmatic determinations by the Board, as well as on their judgment about the strength of the coal projects submitted in the third general solicitation. If the solicitation process fails to produce acceptable proposals, and upon complying with applicable provisions of our statute, the Corporation intends to proceed to sole source negotiations with qualified concerns.

The Corporation made no awards under the first solicitation, although as noted earlier, several first solicitation projects are now under active consideration in the second solicitation. For the most part, first solicitation projects had been conceived before 1980 and did not reflect 1982 realities. Many of these projects were immature; others were larger in scale than those now being planned; and several began to experience increased costs in their project development work.

As the economy and energy markets continued to weaken from 1981 through 1982 sponsors, particularly those not seeking SFC assistance, had to face some very tough investment decisions. Sohio, Exxon, and Ashland Oil each withdrew from major projects, explaining their decisions in terms of economic conditions, project costs, and market uncertainties. Despite these withdrawals, however, one sponsor continues to promote the Breckinridge project, and the remaining sponsors in Hampshire are trying to replace Sohio[1] and continue development work. Both efforts have our encouragement.

Seven projects in the second solicitation continue negotiation discussions. Three are coal, including one peat-to-methanol, three are tar sands and one is a heavy oil conversion project.[2] I have issued letters of intent to the Santa Rosa tar sands project in New Mexico and to the First Colony peat project in North Carolina, with which we are also negotiating an agreement for 131(u) monies under the Energy Security Act. The Corporation anticipates several awards during 1983 (six to nine).

The Corporation received 46 proposals in response to its third solicitation; 29 of these were resubmissions and 17 were new applicants. At this time five projects have passed the maturity review[3] and nine projects have been dropped from further consideration under the solicitation.[4] The other 32 continue to undergo maturity evaluation, and Board decisions on these are expected shortly. Although it is somewhat early to make judgments and without preempting Board decisions, I can certainly report to you this morning that we do anticipate assistance awards promptly under the third solicitation, and we have included these assumptions in our fiscal year 1983 and 1984 programmatic budgets.

---

[1] It is worth noting that, while withdrawing from Hampshire, Sohio continues to participate in another major project, the White River oil shale project, for which it has requested assistance in the third solicitation.

[2] These are: North Alabama; Cool Water; First Colony; Hop Kern; Kensyntar; Santa Rosa; and Calsyn.

[3] These are: Scrubgrass (formerly A-C Valley); New England Energy Park; Memphis; Dowsyn; and Union Oil.

[4] These are: Montex; Thunderbird II; U.S. Oil Shale; Edwards Engineering; International Hydrocarbons; California Tar Sands Development; SESCO; and Purged Carbons, which were judged immature; and Grace-Baskett, which had applied for a form of assistance not available under the third solicitation.

On January 20, 1983 the Corporation issued its first targeted solicitation, for western oil shale projects. Qualifying bids must be submitted by March 15, 1983, and more detailed proposals and competitive bids are due from qualified proposers by June 1. Low bid winner(s) will be selected on July 1, 1983 and contracts finalized in the fall of 1983. This is a purposely expedited process, designed to respond quickly to those willing to commit major equity to pioneer oil shale projects.

The targeted coal solicitations will follow and parallel the oil shale solicitation in terms of accelerating process and emphasizing equity and management commitment. The specific number of coal solicitations to be issued and their individual parameters will be determined by the Board within the next few months, as staff is able to evaluate programmatic needs and design appropriate documents. Funding for projects under targeted coal solicitations is anticipated in the FY 1984 programmatic budget.

In projecting our programmatic budget numbers, we have made certain assumptions about the projects we are likely to be funding, based on our programmatic goals and authorized funding levels. Again, without prejudging Board decisions, I can say that we expect to assist about a dozen commercial projects by the end of fiscal 1984, which we expect will be scaled for production of up to 20,000 barrels per day. Plants of this size will have less difficulty with equity formation; and individually, they will require a smaller commitment from the Corporation, thus allowing us to extend our financial authority to support a greater number of projects and build a broader base of experience and infrastructure.

Because eleven oil shale proposals remain before the Corporation under the third solicitation and a targeted shale solicitation is now open, it is our hope that funding for oil shale projects can be substantially completed by the end of FY 1983. Then in FY 1984, the greater part of our programmatic budget would be used to fund coal conversion projects. Tar sands/heavy oil projects are expected to be funded more heavily in FY 1983, because of the timing of the solicitation process as well as the readiness and smaller capital requirements of these projects.

* * * * * *

I have spent the better part of this testimony on a discussion of projects, because this has been our point of concentration. But we have now also begun to focus on a second major responsibility: development of the comprehensive strategy to be submitted to the Congress by June 1984. Under the direction of the Office of Planning, this work has been formalized and accelerated in recent months. The content and structure for the comprehensive strategy, as suggested by the Energy Security Act, includes three major elements:

First, a set of "accompanying comprehensive reports" that describe the economic and environmental performance of assisted synthetic fuel projects as well as general prospects for industry development;

Second, a "production plan" or strategy for the major expansion of synthetic fuel production capacity required to reach the production goals of the Energy Security Act; and

Third, the considered recommendations of the Board of Directors regarding the Corporation's "recommended objectives and strategy."

As required by the Energy Security Act, the comprehensive strategy will consider diverse synthetic fuel technologies and recommend a mix of technologies and resource types for a production plan and any second phase activities. It will directly address and emphasize private sector responsibilities and the Corporation's proper role and termination.

Late last year the Office of Planning prepared and circulated a concept plan for developing the comprehensive strategy, to which Board members and Corporation staff responded. Further definition of tasks and scheduling is now essentially complete, and a timetable for development work is being finalized. Exchanges between the Board members and the Planning staff are currently underway. These exchanges will be followed by additional staff refinement, the production of a final, written management plan, and regularly scheduled discussions. The first one-on-one Board member-staff discussion was held Monday of this week. We expect such meetings to be both frequent and productive throughout 1983 and into 1984.

* * * * * *

In concluding, I would like to thank the members of this Committee for your interest and support. All of us at the Corporation, directors and staff, recognize the importance of constructive Congressional oversight. In that regard, we have just recently responded at some length to questions raised by the Fiscal Year 1983 Interior and Related Agencies Conference Report (H. Rept. 97-978), concerning specific progress and policies at the Corporation. With the hope that this material may be helpful to the Committee, I have taken the liberty of appending it to my testimony, and I will be glad to discuss it further with you. I also want to assure you, gentlemen, that we are doing our very best to promote a responsible program that will give the country the important strategic option of a proven synthetic fuels capability, and we are attempting to do this in a way that fosters increased confidence and cooperation between business and government.

Thank you. I will be glad to try to answer your questions now.

United States Synthetic Fuels Corporation
2121 K Street, N.W. Washington, District of Columbia 20586 Telephone: (202) 822-6600

January 27, 1983

The Honorable James A. McClure
Chairman
Subcommittee on Interior and Related Agencies
Committee on Appropriations
United States Senate
Washington D.C. 20510

Dear Mr. Chairman:

The Corporation shares the concerns expressed by the Committee regarding the apparent slow pace of development activity in the synthetic fuels industry during 1982. In fact, however, design and development work in any technologically innovative industry must necessarily be deliberate, and many synthetic fuels projects did make substantial progress during the past year. Time is essential to perform engineering work sufficient to insure against gross cost overruns during construction, and the Board has determined to favor a controlled development schedule initially over uncontrolled costs later in a project's life.

Beyond the anticipated difficulties associated with any major new technology, the synthetic fuels industry, like others, suffered additionally in 1982 from the general worldwide recession. Abundant oil supplies and lower prices, along with declining corporate profits and limited investment capital, led several significant sponsors to delay or indefinitely shut down developing projects. Unfortunately, sound business judgment does not always correspond to sound national interests.

The Corporation has been well aware of all these externalities during 1982, and we have shared the Committee's concern about their impacts on the development of a synthetic fuels industry. Accordingly, we have adjusted our policies to meet changing world conditions and particular sponsor needs.

For example, the third solicitation permits negotitations on an accelerated basis for projects which are ready. The Board has already deemed five projects to be mature, and all maturity reviews are expected to be completed within six weeks from the close of the third solicitation. A project judged mature may begin negotiations when it has substantial equity in place. We are encouraging all prospective third solicitation applicants to proceed as rapidly and responsibly as possible, and at least one project has set its schedule so as to take maximum advantage of the flexibility offered by the third solicitation.

In response to the specific concerns expressed by the Committee:

(1) The Corporation has the necessary staff to proceed expeditiously with both the targeted solicitations and the processing of projects under the third solicitation, and intends to do so. The Corporation has issued one targeted solicitation for oil shale projects, and plans over the next several months to issue additional solicitations targeted to the coal resource base. These solicitations are designed to accelerate the process by which projects are evaluated and awarded financial assistance, and to focus the Corporation's efforts on the most promising resource bases. Targeted solicitations are a direct result of our discussions and experience with industry, and an integral part of our efforts to attract qualified concerns on an expedited basis to meet our programmatic objectives. We have been most encouraged by the very positive reaction of industry to these solicitations.

(2) Since October, 1982, the Corporation has maintained an "observer" role in the efforts of the Departments of Energy and Defense to explore the development of synthetic fuels from the Naval Oil Shale Reserves. This role, we believe, is consistent with that previously represented and with our responsibilities at the SFC.

(3) The Corporation welcomes and shares the Committee's judgment that the Energy Security Act allows the Corporation to issue letters of intent or conditional commitments without causing the Department of Treasury to debit the Corporation's obligational authority in the event a financial assistance agreement is not executed or, even if executed, later cancelled before implementation.

The Chairman has signed letters of intent with two projects--the First Colony peat-to-methanol project in North Carolina and the Santa Rosa oil sands project in New Mexico. The Chairman is also considering signing a letter of intent for the Calsyn heavy oil conversion project in California.

We share the Committee's concerns about the current difficulties of project sponsors in arranging equity financing. The Corporation will negotiate financial assistance terms with sufficiently mature projects consistent with competitive and programmatic considerations; and will act responsibly to help sponsors complete the formation of their equity consortiums.

(4) The Corporation appreciates the Committee's support for our outreach initiatives. We are making good progress in informing industry that the management of the Corporation is committed to discharging its statutory responsibilities, that we understand and are sensitive to the needs of industry, and that we will work with substantial flexibility to accomplish our task.

(5) The Corporation has made concentrated efforts to provide industry with clear guidance concerning both our programmatic objectives and strategies and our criteria for financial awards to projects. Central to these efforts have been frequent public policy statements by the Chairman and the President of the Corporation on the following six basic principles:

(a) The Corporation intends to make available all forms of financial assistance for the best projects in the first, second and third solicitations. The Corporation desires to proceed to direct negotiations with qualified concerns for projects essential to achieving the goals of the Energy Security Act if the solicitation process does not produce acceptable bids.

(b) The Corporation intends to emphasize contingent forms of financing, as the preferred means of assistance.

(c) The Corporation intends to put at risk up to $6 billion on eastern and western coal projects, $3 billion on oil shale, and $1 billion on tar sands and heavy oil projects.

(d) The Corporation intends to provide financial assistance with an absolute minimum of bureaucratic process, consistent with the prudent commitment of funds.

(e) The Corporation intends to assist a number of diverse projects as soon as feasible, consistent with our needs to gain synfuel production and to assure reasonable environmental safeguards.

(f) The Corportion intends to concentrate its full efforts on the critical task of preparing the Recommended Comprehensive Strategy, with ongoing Board influence and direction.

(6) The Corporation recognizes that each project is unique and must be allowed flexibility within the limits of the Energy Security Act. We evaluate each proposal in terms of the amount and form of assistance it will require from the Corporation to improve its

likelihood of success. We are looking for technological competence, management experience, and equity commitment in the projects to which we award assistance. We have made these clear to all potential sponsors in pre-solicitation briefings, on-going discussions and post-decisional debriefings. These debriefings have been as thorough as the state of the projects allowed; projects which have been dropped earlier in the process for lack of maturity or strength of necessity receive more limited debriefings.

We have also explored the possibilities of uniform terms and conditions for loan and price guarantee guideliness, but have never completed basic documents which we felt were sufficiently flexible to meet industry needs and requirements and sufficiently tested by experience. With our growing experience, however, as we developed the targeted shale solicitation, we made available a draft payments article for the standard price guarantee. In April, under targeted solicitation, we plan to make available outlines of further standard terms and conditions for those provisions which lend themselves to such an approach. Negotiation of the documentation for individual projects will be needed to flesh out the other terms. Letters of intent and final documents entered into by the Corporation have been, and will continue to be, made available to the public through the Corporation's Reading Room.

(7) The Corporation shares the Committee's support for the use of 131(u) funds as a means of refining engineering and design costs. We believe the prudent use of 131(u) funds for advanced project design will provide a more reliable base for project cost estimates and award decisions. At present the Corporation is in the final stages of negotiating an agreement for 131(u) funds for the First Colony project which will have a ceiling of $4.65 million. Similar arrangements may be made for other projects now under consideration. These arrangements accelerate project development by facilitating the completion of advanced design work essential for accurate cost estimates.

(8) The Corporation shares the Committee's desire that the Board of Directors be fully informed on all matters so that they can provide proper leadership and direction to the staff. Management has always striven for completeness and comprehensiveness in assembling facts and offering alternatives to the Board members, in order to permit their best judgment and guidance back to the staff. This task is a major and ongoing one for senior management, and the process continues to evolve and improve. We are determined to do our best to carry out our responsibilities under the Energy

> Security Act and to focus our efforts closely to achieve our goals. We are beginning to see the results of the intensive development work of the last two years on the part of sponsors and the Corporation, and we are proceeding with the negotiation and award process and concentrating our energies on the major coal and oil shale resources.

Our goal is to give the country the security of a proven synthetic fuel capability, and toward this end we appreciate the cooperation, support, and recommendations of the Committee.

Sincerely,

Edward E. Noble
Chairman of the Board

cc: The Honorable Robert Byrd

United States
Synthetic Fuels Corporation

Statement of

Administrative Expenses

Fiscal Year 1984

January 1983

Index

Page

I. Introduction 1

II. Authority & limitations 1

Limitations on Funding 2
Limitations on Numbers of Employees 3
Limitations on Types of Assistance 3
Sources of Funds 3
Appropriations 3
Fees 4
Use of Funds 5

III. Budget Data . . . .

Status of Program Authority 6
FY 1984 Budget Dollars (By Object & Dept.) . . . 7
Administrative Expenses By Organization 8
Administrative Expenses By Object 9
Administrative Expenses
Authorization Use Analysis 10
Staffing 11

IV. Background 12
Legislative Basis 12
Corporate Development 13
Management Approach 14

V. Program Status and Plans 14
The Estimates 14
The Solicitation Process 15
Comprehensive Strategy 21

- continued -

Page

VI. Administrative Expense Budget 23
  Corporate Staffing 24
  Estimates by Organization 24
    Executive Direction 24
    Board of Directors 25
    Office of General Counsel 25
    Office of Projects 26
    Office of Planning 28
    Office of External Relations 29
    Office of Technology & Engineering 29
    Office of Finance 31
    Office of Administration 33
    Inspector General 34

VII. Generic Studies and Specific Reviews 36

I. INTRODUCTION

FY 1982 was a start up year for the Corporation. It was also a year in which the industry was buffeted by changing economic conditions. These circumstances make it difficult to predict with certainty the events of the coming months as they will affect the Corporation's work and budget.

Despite these uncertainties, however, both the intent of the Energy Security Act and the policy of the Corporate Board of Directors dictate a level of administrative expenses which is quite low in relation to the magnitude of the programs anticipated in FY 1983 and FY 1984. The public corporation framework established by the Congress makes this possible since the Corporation is not burdened with the complex administrative processes imposed on federal agencies.

This report represents a statement of SFC administrative expenses which is being transmitted as contemplated by Sec. 120(c) of the Act. Additionally, the narrative sections explain the background, progress and plans covered by the Corporate budget.

II. AUTHORITY AND LIMITATIONS

Section 120(c) of the Energy Security Act (PL 96-294; 94 Stat. 611, 640) authorizes the Corporation to make expenditures for reasonable and necessary administrative expenses within certain statutory limitations and in accordance with a detailed statement of such expenditures transmitted to the Congress along with the President's proposed budget.

The Act characterizes the Corporation as a Federal entity of limited duration, and as an off-budget entity, because its direct corporate financial transactions are not included in the receipts, outlays, and deficit in the President's budget. However, Corporation funding transactions derived from the Energy Security Reserve account in the Treasury Department are treated as obligations and outlays of the Treasury Department and such amounts are shown "on-budget."

Limitations on Funding

Within total funding made available through the Energy Security Reserve account, the Corporation is authorized to expend up to a stipulated maximum amount for administrative expenses in any one fiscal year. The maximum amount is initially established at $35 million. This amount is adjusted annually by a specific formula which is based upon an amount equal to the change in the GNP Implicit Price Deflator starting with fiscal year 1979. Accordingly, the limitations on the Corporation's administrative expenditures in fiscal year 1984 will be computed as follows:

GNP Implicit Price Deflator, Base Year (FY 1979)	162.77
GNP Implicit Price Deflator, 1983	216.95
Administrative Expenses Limitation for FY 1984	$46,650,000

$$(\$35{,}000{,}000 \times \frac{216.95}{162.77} = \$46{,}650{,}000)$$

Limitations on Number of Employees

Section 117(d) of the Act provides that the Corporation is authorized to employ not more than 300 individuals in full-time professional positions at any time.

Limitation on Types of Assistance

The Act provides, in decreasing order of priority, for the Corporation to give financial assistance in the form of price guarantees, purchase agreements, loan guarantees, loans, joint ventures and construction. It also authorizes cost sharing agreements to refine sponsors cost estimates.

Sources of Funds

Appropriations

Funds for Corporate activities are derived from the Energy Security Reserve fund established in the Treasury. The Interior Department Appropriation Act and the Supplemental Appropriations Act of 1980 appropriated $17,522,000,000 to the Energy Security Reserve for synthetic fuels programs. These funds provide the following:

- o $6,000 million immediately available to the Corporation (July 8, 1980);

- $5,310 million ($300 million of which was later rescinded), available for transfer from the Department of Energy (DOE) insofar as not committed or conditionally committed by DOE. Unobligated balances in the amount of $2,694 million were subsequently transferred;
- $6,212 million made available after June 30, 1982; so that
- A total of $14,906 million was subsequently available to the Corporation.
- Application of administrative expenses in FY 1981 and FY 1982 has subsequently reduced the balance to $14,887 million.

Fees

The Corporation is authorized by Section 139 (a) of the Act to charge and collect certain fees in connection with financial assistance provided under the Act. These fees are not to exceed 1 percent of the amount of such financial assistance and may be applied against administrative expenses related to providing financial assistance, or against probable losses.

Until such time as financial assistance is provided and administrative fees collected, the Corporation has been defraying all administrative expenses out of funds appropriated to the Energy Security Reserve.

The Corporation is required by Section 139(b) of the Act to charge an annual loan guarantee fee of 1/2 of 1 percent in connection with loan guarantees, but the proceeds of these fees are not available for administrative expenses.

$$(\$35,000,000 \times \frac{216.95}{162.77} = \$46,650,000)$$

Limitations on Number of Employees

Section 117(d) of the Act provides that the Corporation is authorized to employ not more than 300 individuals in full-time professional positions at any time.

Limitation on Types of Assistance

The Act provides, in decreasing order of priority, for the Corporation to give financial assistance in the form of price guarantees, purchase agreements, loan guarantees, loans, joint ventures and construction. It also authorizes cost sharing agreements to refine sponsors cost estimates.

Sources of Funds

Appropriations

Funds for Corporate activities are derived from the Energy Security Reserve fund established in the Treasury. The Interior Department Appropriation Act and the Supplemental Appropriations Act of 1980 appropriated $17,522,000,000 to the Energy Security Reserve for synthetic fuels programs. These funds provide the following:

- $6,000 million immediately available to the Corporation (July 8, 1980);

Use of Funds

Through FY 1982, $18.6 million has been expended for administrative operations of the Corporation, including generic studies. These expenses are expected to amount to $23.6 million in FY 1983, and $26.9 million in FY 1984, reflecting the completion of staffing plans to handle intensified project evaluation, negotiation, selection, and monitoring.

It is estimated that, of the fees accrued under Section 139(a) in FY 1983, $3.0 million will be applied to administrative expenses. In FY 1984, an estimated $22.0 million will be applied.

Financial assistance awards are estimated to total $6.0 billion in FY 1983 and $7.2 billion in FY 1984. Because the exact kind of financial assistance to be awarded is determined in the course of negotiations, the Corporation is unable, at this writing, to estimate how much of the estimated assistance will ultimately be in the form of loan guarantees, how much in price guarantees, etc. Activity to date is discussed in the section entitled "Program Status and Plans",(See page 14).

III. BUDGET DATA

SFC
TABLE NO. 1
STATUS OF PROGRAM AUTHORITY

(Dollars in millions)

Description	FY 1982 Actual	FY 1983 Estimate	FY 1984 Estimate
Source:			
Unused program authority, start of year	$5,993	$14,887	$8,867
Additional authority	8,906	--	--
(Appropriation)	(6,212)	--	--
(Transfer)	(2,694)1/	--	--
Total authority	14,899	14,887	8,867
Application:			
Project assistance	--	6,000	7,200
Administrative expenses	12	23	27
(Administrative)	(12)	(18)	(22)
(Inspector General)2/	(*)	(1)	(2)
(Generic studies and specific reviews)	(*)	(4)	(3)
Fees applied (Sec. 139(a))	--	-3	-22
Net administrative expenses	12	20	5
Total expenses/commitments	12	6,020	7,205
Unused authority, end of year	14,887	8,867	1,662

Note: Detail may not add to totals because of rounding.

* Less than $500,000.

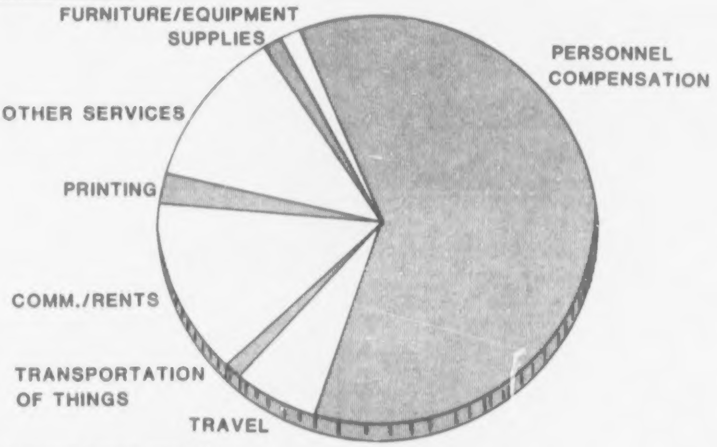
1/ Transferred from Department of Energy.
2/ The budget of the Inspector General is subject to the limitations of Section 120 (a)(1)(B) of the Energy Security Act.

January 31, 1983

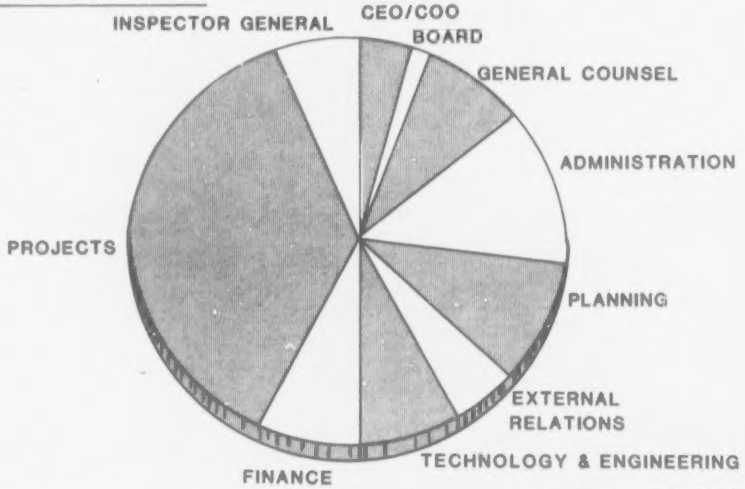
FY 1984 BUDGET DOLLARS

(Excludes Generic Studies)

BY OBJECT



BY DEPARTMENT



January 31, 1983

SFC
TABLE NO. 2
ADMINISTRATIVE EXPENSES
BY ORGANIZATION

(Dollars in thousands)

Organization	FY 1982 Actual	FY 1983 Estimate	FY 1984 Estimate
Executive Direction	$1,088	$1,094	$1,002
Board	104	189	183
General Counsel	1,145	2,374	2,309
Projects	2,788	5,405	8,618
Planning	671	1,684	2,140
External Relations	964	1,135	1,093
Technology & Engineering	937	1,717	2,018
Finance	1,307	1,590	1,604
Administration	2,774	2,872	2,962
Subtotal	11,779	18,064	21,929
Inspector General*	450	1,314	1,698
Total	12,229	19,378	23,627
Generic Studies	206	2,735	1,537
Specific Reviews (Projects)	--	1,490	1,730
Total	12,435	23,603	26,894

Note: Detail may not add to totals because of rounding.

* The budget of the Inspector General is subject to the limitations of Section 120 (a)(1)(B) of the Energy Security Act.

January 31, 1983

SFC
TABLE NO. 3
ADMINISTRATIVE EXPENSES
BY OBJECT
(Excludes Generic Studies and Specific Reviews)

(Dollars in thousands)

Object	FY 1982 Actual	FY 1983 Estimate	FY 1984 Estimate
Personnel Compensation	$ 6,533	$11,201	$14,448
Travel	393	1,312	1,429
Transportation of Things	257	266	210
Communications/Rent/Utilities	2,850	3,255	3,498
Print/Reproduction	116	330	469
Other Services	1,460	2,289	3,129
Supplies	137	202	231
Furniture & Equipment	483	522	210
Total	12,229	19,378	23,627

Note: Detail may not add to totals because of rounding.

January 31, 1983

SFC
TABLE NO. 4
ADMINISTRATIVE EXPENSES
AUTHORIZATION USE ANALYSIS

(Dollars in million)

Description	FY 1980 Actual	FY 1981 Actual	FY 1982 Actual	FY 1983 Estimate	FY 1984 Estimate	Total All Years
Authorized:						
Administrative expenses	$35.0	$37.5	$41.2	$44.1	$46.7	$204.5
Generic studies	10.0	10.0	10.0	10.0	10.0	50.0
Subtotal	45.0	47.5	51.2	54.1	56.7	254.5
Used:						
Administrative expenses	-	6.2	12.2	19.4	23.6	61.4
Generic studies	-	--	.2	4.2	3.3	7.7
Subtotal	-	6.2	12.4	23.6	26.9	69.1
Unused authority:						
Administrative expenses	35.0	31.3	29.0	24.7	23.1	143.1
Generic studies	10.0	10.0	9.8	5.8	6.7	42.3
Total	45.0	41.3	38.8	30.5	29.8	185.4
% of unused authority:						
Administrative expenses	100.0%	83.5%	70.4%	56.0%	49.5%	70.0%
Generic studies	100.0	100.0	98.0	58.0	67.0	84.6
Total	100.0%	86.9%	75.8%	56.4%	52.6%	72.8%

Note: Detail may not add to totals because of rounding.

January 11, 1983

SFC
TABLE NO. 5
STAFFING
(Employment at end of year)

Organization	Class	FY 1982 Actual	FY 1983 Estimate	FY 1984 Estimate
Executive Direction	Exempt	9	7	7
	Nonexempt	6	3	3
General Counsel	Exempt	10	12	12
	Nonexempt	8	11	11
Projects	Exempt	33	33	51
	Nonexempt	15	15	24
Planning	Exempt	7	16	23
	Nonexempt	2	5	6
External Relations	Exempt	9	7	7
	Nonexempt	6	7	7
Tech. & Engr.	Exempt	11	13	14
	Nonexempt	3	4	4
Finance	Exempt	8	10	10
	Nonexempt	3	2	2
Administration	Exempt	20	21	24
	Nonexempt	22	21	21
Subtotal		172	187	226
Inspector General*	Exempt	4	8	10
	Nonexempt	1	2	2
Corporation Total	Exempt 1/	111	127	158
	Nonexempt	66	70	80
Total		177	197	238

1/ Exempt positions are professional staff positions.

* The budget of the Inspector General is subject to the limitations of Section 120(a)(1)(B) of the Energy Security Act.

IV. BACKGROUND

A. Legislative Basis

The United States Synthetic Fuels Corporation was established by Title I of the Energy Security Act (Public Law 96-294; Stat. 611; 42 USC 8701 note) (the "Act") to provide financial assistance to qualified concerns toward achievement of the national goals of synthetic fuel production capacity from domestic resources. The Act states the following purposes for the Corporation: improve the Nation's balance of payments, reduce the threat of economic disruption from oil supply interruptions, and increase the Nation's security by reducing its dependence upon imported oil.

The Act seeks to accomplish these purposes by:

- creating the United States Synthetic Fuels Corporation, a Federal entity of limited duration, to provide financial assistance to undertake synthetic fuel projects;
- giving special consideration to and expediting the development of the production of synthetic fuels which have national defense applications;
- accelerating the creation by the private sector of commercial synthetic fuel production facilities of diverse types with the aggregate capability to produce from domestic resources in an environmentally acceptable manner the national production goals set forth in the Act;

- providing for financial assistance, preferably on a contingent basis, to encourage and ensure the flow of capital funds to those sectors of the national economy which are important to the domestic production of synthetic fuel;
- encouraging private capital investment and activities in the development of domestic sources of synthetic fuels and fostering competition in the development of the Nation's synthetic fuel resources; and
- encouraging and supplementing, but not competing with or supplanting, private capital investments in the development of domestic sources of synthetic fuels.

B. Corporate Development

When President Carter signed the Energy Security Act into law on June 30, 1980, the Nation was faced with threats of continuing oil shortages, increasing dependence upon foreign sources of energy, and rising energy prices. Since that time the Nation has experienced a great many changes, most notable of which have been the emergence of an oil "glut", reduced inflation and a decline in business activity, all of which have affected the emerging synthetic fuels industry and the Corporation's work.

The current Chairman was confirmed by the U.S. Senate in May, 1981. The next four members of the Board of Directors were confirmed in

September, 1981 and the Corporation was declared operational in February, 1982. The Board reached its full complement of seven members for the first time in August, 1982.

Management Approach. The Corporation has adopted a management structure reflecting the flexibility of the private sector and the public accountability envisioned by the Act. Management systems have been developed, tested, modified and put in place to enhance the development, establishment and monitoring of projects while avoiding the traditionally burdensome regulations often associated with government agencies.

V. PROGRAM STATUS AND PLANS

(Dollars in millions)

A. The Estimates

	Estimate FY 1983	Estimate FY 1984
Program commitments	$6,000	$7,200
Program outlays (in the Energy Security Reserve account)	$3	$40

Out of the SFC solicitation process described below, it is estimated that a major portion of the $14.9 billion currently available for programs will be committed for various forms of financial assistance by the end of fiscal year 1984. It is impossible at this point to estimate realistically a breakdown of the projects to be approved or the types of assistance granted given the uncertainties of the evaluation, selection and negotiation processes. However, within the guidelines established by the Board of Directors, it is assumed that six projects, cutting across the coal, oil shale, tar sands and miscellaneous resource bases will be granted assistance awards by the end of FY 1983. For FY 1984 it is estimated that an additional six projects in these same resource bases will be awarded assistance by the end of the fiscal year.

Because of the prudence exercised by the Board in project evaluation and selection, it is assumed that loan guarantees granted will not default (resulting in required outlays), for several years, if at all. For price guarantees, the time required to build a plant and go into production will take several years, with significant outlays not occurring until after the middle of the decade, and occurring only if oil prices continue at relatively stable levels.

B. The Solicitation Process

As the Corporation gained experience and responded to changing economic and energy conditions, its process for solicitation of proposals has also undergone change. Recognizing that projects vary markedly in their readiness for consideration, the Corporation adopted a process encompassing several solicitations with staged closing dates of approximately six-month intervals. Thus, the Corporation is able to consider the competitive strength of each project in the most appropriate timeframe. If a project is still in an early development mode, its consideration by the Corporation can be delayed until a subsequent solicitation. Because of the time required to screen and evaluate projects and negotiate assistance, there exists a planned overlap of activity among solicitations. A brief recounting of the history of solicitations follows:

1. The first general solicitation was released in November, 1980 with a closing date of March 31, 1981. By the closing date 68 proposals were received and evaluations begun. However, without a Board of Directors, no decisions could be made. The new Board released a supplement to this solicitation in December, 1981, giving additional details to sponsors about the project evaluation and selection criteria. The supplement established January 4, 1982 as the deadline for receiving revised proposals. Of the original 68 sponsors, 28 chose to meet this new deadline. Of these, 11 were found by the Board to meet the maturity criteria, and in March, 1982 five projects were found to meet the strength criteria conditionally. Eventually, of these five, three were moved to the second solicitation and two were moved forward into the next phase of negotiation.

Of the two which began negotiations, one was eliminated from the first solicitation and the other decided to postpone construction indefinitely.

2. The second general solicitation was released in December, 1981 and closed on June 4, 1982. This solicitation brought 38 responses as follows:

New applications	14
Resubmittals from initial solicitation	21
Moved from initial solicitation	3

The 38 proposals were immediately moved into evaluation for eligibility, maturity and strength, a more intense and streamlined phase of the solicitation process. Projects which had substantial equity sponsorship and had met both the maturity and strength criteria were permitted to begin pre-negotiation fact finding followed by negotiations with the Corporation as soon as they were ready. This process for projects in the second solicitation consisted of a series of frequent, intensive meetings at which alternatives were explored and necessary data collected, culminating in an outline of the terms and conditions of financial assistance.

This streamlining of the negotiations served to accelerate the Corporation's evaluation process. By December, 1982 the Board had authorized the Chairman to commit funds under Section 131(u) of the Energy Security Act to assist the First Colony project in refining its cost estimates. Accurate cost estimates are of critical importance to the Corporation because they serve as a crucial basis for determining the amounts of financial assistance required. The First Colony cost-sharing agreement has a maximum limit of $4,650,000 to be expended from January 1, 1983 through February, 1983.

In addition, the Chairman reported to the Board at the December 2, meeting, that negotiations with the sponsors of the First Colony, Calsyn, and Santa Rosa projects had progressed to the point where he would consider signing letters of intent with the three. Subsequently, on December 13, 1982 a letter of intent was issued to the First Colony project providing for a maximum SFC obligation of $465 million (including amount awarded under Section 131(u). This is comprised of a loan guarantee of $341 million (plus $25 million interest accrued) and an initial price guarantee of $99 million, which amount will increase as the loan is repaid up to a maximum of $440 million. The

Corporation will participate in revenue sharing in the event the market price increases above the price guarantee level.

The price guarantee potentially will be of fifteen years duration but will be renegotiable after 10 years in accordance with the requirements of the Energy Security Act.

The outline of the Santa Rosa letter of intent provides for a maximum SFC obligation of $41 million including a loan guarantee of $20 million and an initial price guarantee of $21 million. This amount will increase as the loan is repaid up to a maximum of $41 million. The Corporation will participate in revenue sharing. The price guarantee will cover the shorter of eight years or six million barrels of aggregate product.

The outline of the letter of intent with Calysn includes only a $51 million loan guarantee from the Corporation. No price guarantee was requested.

Final contract documentation on these three projects will be considered by the Board early in 1983. At that time the Board will determine if the required statutory findings can be made so that financial assistance can be awarded. Four projects remain, under evaluation in the Second Solicitation.

3. The third general solicitation was released on August 19, 1982 and closed on January 10, 1983. This solicitation, unlike the first two, limited the types of projects invited for consideration to projects using coal, oil shale or tar sands/heavy oil as a resource.

   At the same time the Board reiterated that up to $10.0 billion was earmarked to achieve a diversity of projects in these resource bases. Of the $10.0 billion, the Board estimated that $6.0 billion would be involved in achieving a diversity of projects for coal, $3.0 billion for oil shale, and $1.0 billion for tar sands and heavy oil.

   Forty-six proposals for synthetic fuels projects in fourteen states were received in January, 1983, in response to the Corporation's third solicitation.

   The first phase of evaluation for maturity and strength is expected to be completed by mid-March, 1983, with the negotiation of awards or nonbinding agreements in principle scheduled for mid-September, 1983.

4. Competitive solicitations. In addition to the general solicitations issued to date, the Corporation is moving toward a competitive selection process in which project sponsors will compete for specified forms of assistance on the basis of a single competitive parameter determined by the form and amount of assistance requested.

C. Comprehensive Strategy

The Energy Security Act directs the Corporation to develop a comprehensive strategy for achieving the national synthetic fuel production goal and to adopt and submit its proposed comprehensive strategy to the Congress directly. The development of the recommended Comprehensive Strategy will continue to be an important activity of the Corporation until its scheduled delivery to Congress on June 30, 1984.

The development of the recommended Comprehensive Strategy is but one step -- though a decisive one -- in the continuing process of strategic planning. The Congress, in enacting the Energy Security Act, and the Department of Energy, in awarding assistance to projects under its Defense Production and Federal Non-Nuclear Acts' authorities, took the first steps.

The Corporation's planning continues to evolve and has been reflected most recently in the establishment of solicitation strategies and the selection of initial projects. The Comprehensive Strategy has now become the focal point for strategic planning. The Corporation will include in its report to Congress on progress and status, a plan for meeting statutory production goals, and the Corporation's recommendations on operational objectives and strategy.

A draft preliminary concept plan for the Comprehensive Strategy development has been prepared which provides a summary of (1) the structure and content of the various Comprehensive Strategy elements to be developed, (2) key aspects of the development process, and (3) a list of significant analytic studies needed to support the recommended Comprehensive Strategy. It is to be comprised of three major elements:

- A set of comprehensive reports on (1) synthetic fuels industry status, covering technical, economic, and environmental performance, experience, and expectations, and (2) the political, economic, and energy market environment. These reports, and accompanying summaries and strategic interpretations, are to provide much of the information base for other elements of the strategy.
- A production plan for a major synthetic fuel deployment to achieve certain production goals that:
  - Provides, as required by the Act, a carefully developed contingency plan for a large-scale deployment if a crisis develops;
  - Develops a reference case that assists identification of strategic needs for developing synthetic fuel production capability.
- Recommended objectives and strategy: a statement of the Corporation's considered recommendations on national strategy for continuing development of a commercial synthetic fuels industry.

VI. ADMINISTRATIVE EXPENSE BUDGET

(Dollars in thousands)

Because of the economic problems with which the energy industry has been faced in recent months, the Board of Directors has intensified its efforts to provide assistance to qualified synthetic fuels projects. It has accelerated the solicitation and negotiation processes, and is issuing a targeted solicitation, all in an effort to help industry get sound projects on line and running more quickly.

The following projections represent current estimates of the administrative resources needed to provide adequate flexibility in approach as well as to move ahead with a significantly greater level of negotiation and monitoring of financial assistance agreements which will be required beyond the early solicitation phase.

Summary

	Estimate FY 1983	Estimate FY 1984
Administrative expenses	$19,378	$23,627
End of year employment	197	238

A. Corporate Staffing

When the Corporation was declared operational by Executive Order No. 12346 (February, 1982) there were 112 employees on board. By the end of FY 1982, the staff had grown to 177, an increase of 65. For FY 1983 it is expected that a net of 20 more staff members will be added as we go from a start-up staff to a negotiating, operating, monitoring staff. In addition, the progress expected in the solicitation process will require a somewhat different mix in the staff skills required, indicating additional staff turnover to meet the operational aspects of project monitoring and follow-through. For FY 1984, a net of 41 additional staff are projected to handle the anticipated workload associated with additional project approvals and the attendant monitoring workload.

B. Estimates by Organization

Executive Direction

	Estimate FY 1983	Estimate FY 1984
Administrative expenses	$1,094	$1,002
End of year employment	10	10

This estimate includes expenses for the Chief Executive Officer (Chairman of the Board), the Chief Operating Officer (President), the Executive Vice President and support staff. The reduction in the estimate reflects primarily non-recurring staff relocation costs in FY 1983.

Board of Directors

	Estimate FY 1983	Estimate FY 1984
Administrative expenses	$189	$183

(Excludes the Office of the Chairman and the President)

The reduction in the estimate reflects small across-the-board non-recurring expenses.

Office of the General Counsel

	Estimate FY 1983	Estimate FY 1984
Administrative expenses	$2,374	$2,309
End of year employment	23	23

The General Counsel is the chief corporate legal officer and serves as Secretary of the Corporation.

The Office provides advice on all legal matters and actions and provides advice and support to project teams during all phases of project activity. Specifically, the Office reviews the project proposals and advises on the legal eligibility of proposed projects; aids in the legal interpretation of the various maturity and strength criteria as projects are considered for advancement and, in later phases, assists in the intensive discussions conducted with each project sponsor and in the structuring and documentation of each agreement for financial assistanc and ultimately advises on all legal matters affecting the proper monitoring of projects.

The reduction in the estimate reflects non-recurring costs of staff increases and equipment purchases in FY 1983.

Office of Projects

	Estimate FY 1983	Estimate FY 1984
Administrative expenses	$5,405	$8,618
End of year employment	48	75

Responsibility for the preparation of project solicitations, management of project evaluations, execution of negotiations for financial assistance and project monitoring reside within the Projects Office. In addition, the Office is responsible for project analyses in these areas: cost, environmental impacts, health, safety, socioeconomic impacts, product marketing, and state and local relations.

During FY 1982 the staff of the Projects Office was involved in each of these activities. The evaluation of projects submitted under the Initial Solicitation during FY 1981 continued into FY 1982. Pre-negotiation fact finding was initiated with two of the projects under the Initial Solicitation. At the same time, monitoring of the two projects transferred from the Department of Energy was also being handled by the Projects Office staff.

During FY 1982 a second, and third general as well as a fourth competitive solicitation were drafted and issued as the result of Corporate-wide efforts coordinated by the Projects Office.

Projects which responded to the second solicitation were evaluated and pre-negotiation fact finding and negotiations were initiated with those passing the maturity and strength tests. In all, pre-negotiation and negotiation sessions have been held with ten projects from both the Initial and Second Solicitations. These project negotiations have continued into FY 1983 and the number will increase as projects from the third solicitation are found to meet the Corporation's criteria.

In FY 1983 the Projects Office will also be called upon to provide management and analytical support as projects respond to the competitive solicitation.

As financial assistance agreements are reached, those projects receiving assistance will move into the Corporation's project monitoring phase. Demands in these areas will increase significantly in FY 1984.

Also, additional competitive solicitations are being contemplated during FY 1983 and FY 1984 which will require participation of Projects Office staff.

The increases in the estimate are directly related to the increased project activity expected in FY 1984 with the principal increases for salaries and benefits for 27 new staff members (18 professional and 9 clerical) at $1,327 thousand, and the increased need for outside experts, consultants and other outside expertise to furnish _ad hoc_ assistance in this year of increased project activity ($1,857 thousand).

Office of Planning

	Estimate FY 1983	Estimate FY 1984
Administrative expenses	$1,684	$2,140
End of year employment	21	29

The Office of Planning develops and assesses alternatives for the Corporation's near and long-term planning and programmatic decisions, and manages development of the recommended Comprehensive Strategy required by the Energy Security Act by mid-1984.

These responsibilities require the analysis of issues, trends, and events that bear on strategic planning and program development. The Office's range of analytical endeavors spans energy markets and technology; economic, environmental and socioeconomic factors; and energy and national security.

The development of the recommended Comprehensive Strategy, explained in detail earlier, will constitute the major portion of FY 1983 activities of the Office. It involves an evolutionary process which is typical of the analytical and program integration roles of the Office of Planning. The recommended Comprehensive Strategy reports must organize information, analyses, and findings bearing on all elements of the Corporation's activities.

The increase in the estimate primarily covers the cost of additional Planning staff.

Office of External Relations

	Estimate FY 1983	Estimate FY 1984
Administrative expenses	$1,135	$1,093
End of year employment	14	14

This office is responsible for public information and liaison with Members of Congress, congressional committees and staff, other Federal entities, and communications media. The decrease in the estimate is primarily because of reduced requirements for contractual assistance.

Office of Technology & Engineering

	Estimate FY 1983	Estimate FY 1984
Administrative expenses	$1,717	$2,018
End of year employment	17	18

This Office evaluates project engineering programs and proposed technologies and related management capabilities. It assesses technologies and engineering feasibility of projects, identifies environmental issues, and supports the development of synthetic fuels strategies. It also provides support to other offices in the areas of monitoring of engineering, procurement, construction and operation throughout all phases of project activity.

This office is involved in all steps of the project assessment, negotiation and monitoring processes. For each project under serious consideration, it analyzes the state of development of the technologies proposed in the projects, and identifies the areas of risk, their magnitude and the provisions built into the project to mitigate these risks. To achieve these objectives, this office performs detailed reviews of technical soundness, management capability and each project's potential for replication. The reviews are applied to the processing facilities, to the auxiliary facilities and to the environmental control facilities.In addition, this office provides quantitative estimates of the effect of the use of technologies on costs and performance along with recommended contingencies which are used in the financial and economic analyses of each project. Detailed reviews allow the office to provide recommendations on the project's probability of meeting cost estimates, schedules and performance levels.

Special attention is paid to the experience and expertise of owner management, availability and commitment of key individuals, caliber of contractors and clear delineation of responsibilities and authorities among all parties involved in the design, procurement, construction and operation of the plant.

Finally, this office analyzes the potential for replication for any specific project, evaluated on the basis of the extent and geographical distribution of the particular resource used by the project and the prospect for widespread use of the proposed technology with the same resource or with similar resources.

The increase in the estimate is primarily to upgrade current staff and to hire one additional professional employee.

Office of Finance

	Estimate FY 1983	Estimate FY 1984
Administrative expenses	$1,590	$1,604
End of year employment	12	12

The Office of Finance is involved in the financial aspects of all projects, including: analyses of the economic and financial viability of the projects over their estimated project lives, both with and without the requested assistance; analyses of the economic impact of requested levels of requested financial assistance; the form and minimum amount of Corporation financial assistance, if any, that is required to make each project viable; the extent to which sponsors bear a significant risk of loss in the event of project failure; the ability of project sponsors to fund their respective shares of project capital requirements; the reasonableness and adequacy of the proposed financing plans; and the adequacy of collateral that may secure the Corporation's financing positions.

The Office provides expertise to management and the project teams regarding these financial matters during the evaluation of projects and the negotiation and structuring of assistance awards. This includes quantification and composition of financial assistance, the development of negotiating strategies and the evaluation of proposed public and private offerings, bank term loans, and construction and short-term financing plans.

Regarding the Corporation's evaluation of projects, the Office of Finance provides economic and financial comparison of projects, both within resource and technology categories and across those categories. This includes an analysis of the economic effect on projects of the amounts, types and terms of possible Corporation financial assistance.

The Office of Finance utilizes an in-house integrated computer system to assist in assessing project economics, and possible Corporation assistance during the evaluation and award process, and after the award in monitoring the progress of projects versus projected progress.

Among the major risks that Finance may evaluate on a project-specific basis are uncertainty in construction cost of the plant and total project cost; construction delays; plant performance and operating costs; and prices of products and marketability of production.

Increases in the estimate are generally attributable to inflationary pressures offset by non-recurring costs.

Office of Administration

	Estimate FY 1983	Estimate FY 1984
Administrative expenses	$2,872	$2,962
End of year employment	42	45

The full range of administrative management and program support services are furnished within the Corporation as a whole -- personnel, financial management, procurement, information management, office services, etc. Management systems are designed to ensure needed operating flexibility within the framework of public accountability that is associated with the use of tax dollars.

The increase in estimated staff requirements is directly related to the estimated total increase for the Corporation. The increase in the estimate reflects the cost of additional staff offset in part by non-recurring expenses.

Inspector General

	Estimate FY 1983	Estimate FY 1984
Administrative expenses*	$1,314	$1,698
End of year employment	10	12

The Act provides for the appointment of an Inspector General and a Deputy Inspector General by the President of the United States, by and with the advice and consent of the Senate. The Inspector General is under the general supervision of the Board of Directors, and reports directly to the Board and to the Congress.

The Inspector General is responsible for promoting economy and efficiency in the administration of the Corporation's programs and for preventing and detecting fraud and abuse in the operations of the Corporation. The Inspector General is also responsible for determining the extent to which such programs and operations are in compliance with the Act and consonant with its purposes. To these ends, the Act authorizes the Inspector General to supervise, coordinate and provide policy direction for audits, investigations and inspections of corporate activities and to employ such personnel and consultants as he deems necessary to carry his functions, powers and duties out. The Inspector General is guaranteed access to all Corporation records, documents and other information and may request information and assistance from any Federal, State or local governmental agency. Furthermore, the

---

* The budget of the Inspector General is subject to the limitations of Section 120(a)(1)(B) of the Energy Security Act.

Inspector General is authorized to compel by subpoena the production of information necessary in the performance of his duties. Finally, the Inspector General is required to prepare an annual report as well as such other reports as are required by Congress or judged desirable by the Inspector General.

The Inspector General initially was authorized to expend up to $2,000,000 annually on reasonable and necessary administrative expenses. That limit is subject to the same increase for inflation as is the Corporation's total limits. The Corporation provides office space to the Inspector General under the Corporation's statutory obligation.

VII. GENERIC STUDIES AND SPECIFIC REVIEWS

	Estimate FY 1983	Estimate FY 1984
Generic studies	$2,735	$1,537
Specific reviews of projects	1,490	1,730
Total	$4,225	$3,267

The Energy Security Act sets an annual limitation on the expenditure of funds for these purposes at $10.0 million.

Examples of types of studies and analyses to be conducted are:

- analysis of Defense fuel requirements and synthetic fuels;
- strategic assessments of synthetic fuels resource bases;
- detailed data concerning feedstock and product supplies; demand and pricing; and general economic and marketing trends;
- independent cost assessments related to project evaluation; and
- product market analysis and evaluation.

The CHAIRMAN. Thank you very much.

Let me yield to my colleague, Senator Ford.

Senator FORD. Thank you. I appreciate your courtesy very much.

Mr. Noble, I'm going to stay with coal. It seems like coal has shifted to another year, I mean it's pushed back again. You know well from chatting with me over the last several months that for the past 10 years I've been very much interested in trying to do something with coal as it relates to a new source of energy other than the direct burning of coal—liquid and gas, et cetera.

I was meditating. That's probably the wrong thing to do because you begin to see lots of things and problems and worries that you wouldn't otherwise. I read an article, I'm not sure what paper it was in or whether it was a House order or what, but something jarred me that while Canada is deregulating its gas, or going to or considering it, so their producers can make the best deal with us that they can because they look at us to have the shortfall of 1986. So here we sit right now with economic problems we face, and you with some funds over there to expedite maybe new sources of energy, and other countries are already working on us and we're not working to protect ourselves. That may be a little broader statement than it should be, but that's the way I perceive it. Maybe I'm a little bit like Senator Randolph. He flew an airplane in 1940 something with oil derived from coal from Huntington, W. Va., to Washington, D.C. He still doesn't see that on board.

So I'm going to ask you questions basically about coal projects, if I may, and other questions that I'll have for you that I would like for you to answer in writing so I won't take up any more of your time. It's already noon so I'll limit my questions because I have a special interest in coal. We're getting into other areas and you're getting requests for different areas. Some of them may be in the solicitations you have this year.

But as I understand you from your statement, 1984 is your targeted year for coal projects, is that correct?

Mr. NOBLE. We actually have some coal projects in our second solicitation too.

Senator FORD. But you said I thought, directing it specifically for coal projects in 1984, as you have others this year.

Mr. NOBLE. Let me clarify. We are progressing with all the projects that are before us. In the third solicitation there are some 19 coal projects, 1 which is direct liquification process and 9 I think are indirect liquifaction, so we are proceeding with the coal projects. We will be moving to a targeted solicitation and it looks like just from what we see that we may have a couple of coal projects this year including the methanol project which would be negotiated this year. And then we would anticipate maybe a couple more projects in fiscal year 1984.

Senator FORD. But as I understood, you had a schedule but you want to target coal projects in 1984.

Mr. NOBLE. It appears that's when they'll be more ready than they are at this moment, but we're moving with those that are in the present solicitation just as rapidly as we can expedite them in a responsible way. We are trying to help them where we can to get their equity and management together on these projects.

Senator FORD. What type of plants will you target?

Mr. NOBLE. The Board hasn't made a definite decision on the type of plants, but it will be more on a resource base, such as an eastern resource base and a western resource base. The technology will probably not be the target at this moment.

Senator FORD. What is your desired schedule for industry action plants on line?

Mr. NOBLE. Plants on line producing, you're talking about producing at this moment?

Senator FORD. Yes. You're looking at targets now and that target indicates to me that you're going to go there and you're going to move in that area and have something on line by a certain period of time.

Mr. SCHROEDER. May I interrupt to try to clarify this?

We have four projects now before the Corporation that are relatively strong and they are all coal projects. I believe what the chairman was indicating was that it appeared to us that those projects that we would not have made financial commitments within 1983, would be coal projects. It did not mean that we would not make some financial commitments to coal projects in 1983.

Senator FORD. But he is targeting coal and his statement said they would target coal projects in 1984 as they have targeted others in 1983.

Mr. NOBLE. We're speaking there of a targeted solicitation whereas the general solicitation, we do have, as Mr. Schroeder pointed out, there may be a little confusion.

Senator FORD. What I understand is you've got a general solicitation. You targeted oil shale this year, and in 1984 you're going to target projects to try to ring those on line in 1984.

Mr. SCHROEDER. It's my opinion that three of these will probably come on line as producers by 1987 or 1988.

Senator FORD. That's what I'm interested in. Why haven't there been successful coal projects to date and what will be different about the target solicitations to get results? For example, Mr. Noble, as I read the targets for the shale solicitation, you had more stringent and more difficult requirements such as financing than you did in the general solicitation.

Mr. NOBLE. Let me explain those, and Mr. Schroeder may want to elaborate. The targeted solicitations we feel will not in any way slow up the other solicitations, sponsors that are in the general solicitation. We do have the staff to evaluate all the projects and work with these projects that are in the second and third solicitation which we hope will move forward as expeditiously as we can move them forward.

The targeted solicitation will try to direct itself, maybe more specifically to substantial sponsors that might not come in under the general solicitation. And that's been our effort in the shale solicitation, and I believe will be our emphasis in the targeted solicitation.

Senator FORD. It appears to me in your targeted solicitation you made the financing of the project for the private enterprise more difficult. The requirements were more stringent than in the general solicitation.

Mr. NOBLE. We've had I believe two briefings now, one in Houston and one in Denver. We have found, and this is the oil shale solicitation, but the same facts hold, that there are a number of very substantial companies out there that have spent a lot of money in R&D that were hesitant to come into the general solicitation. When we found out some of the reasons, then we drew the solicitation to more direct themselves to their particular needs. So I think at least our response at this point, particularly in oil shale, has been very good.

Senator **Ford**. You're saying to me that you redirected your solicitation on your targeting to make it more favorable to those than you did the general one.

Mr. **Noble**. There were some in the targeted solicitation which we felt might not come in, but it does speed up the process by getting a lot of the negotiations up front, so to speak.

Senator **Ford**. Are you making the shale solicitation more difficult as it relates to the financing requirements than in the general solicitation?

Mr. **Noble**. No.

Senator **Ford**. In order to meet the SFC proposed schedule that you were laying out here, shouldn't projects already have a site, most of its permits done, EIS, State support and technology ready to go?

Mr. **Noble**. Yes. We have what we call a maturity test and then a strength test. However, in the third solicitation, as soon as they pass these items in the maturity test, we will start negotiating with them so that we expedite the process.

Senator **Ford**. Do you have a list of coal projects that could meet the desired schedule in what is or has been lagging other than the financing?

Mr. **Noble**. I presume that you don't want me to get into projects specifically.

Senator **Ford**. Could you give me a list of projects that could meet the desired schedule that you have?

Mr. **Noble**. Yes, we can.

Senator **Ford**. And indicate what is lacking other than the financing.

Mr. **Noble**. Yes, sir.

Senator **Ford**. Will you do that for the chairman and me please.

Mr. **Noble**. I'd be happy to.[1]

Senator **Ford**. If the targeted coal solicitations do not work, what are the next realistic steps if the Corporation wants to get a project on line? Would it be joint venture or will we need new legislation?

Mr. **Noble**. The legislation, 131(b)(4) I believe it is, provides a very specific chain of events that we have to go through. We are doing that, and I guess the next step, I will say that we have a number of projects both in the second and the third solicitation which look very good, but if we do not have projects in a resource base that we desire and we've gone through this chain of events which is set out by the Energy Security Act, then our next step would be a direct negotiation and then possibly a joint venture. At this point we couldn't legally go to a go-co for instance, because we have not exhausted the possibilities for private sponsorship that the act requires. And it looks like at this point that we will have ample projects in all the resource bases in the competitive areas that the act has set out.

---

[1] See answer to question No. 18 submitted for the record in app. IV.

Senator FORD. Does the Corporation consider the funding of say two or more coal projects to be one of its primary purposes and objectives?

Mr. NOBLE. Yes, sir. In fact we feel we probably have negotiated this year, probably two projects this year and maybe two more next year.

Senator FORD. Should direct liquifaction be one of those projects?

Mr. NOBLE. It very well could be and one of them is still active. One project was closed down and has been reactivated, and we're hopeful that they will pull some more sponsors together.

Senator FORD. The repository for all the Government information on coal liquifaction, the Pittsburg Technology Center referred to as PETC, is the Corporation supporting this effort in any way?

Mr. NOBLE. Not that I know of. I'm not sure that we're allowed to under the act.

Senator FORD. Thank you very much.

The CHAIRMAN. I think it would be helpful if at this point in the record we included a list which has been provided to us by the Corporation under a date of February 1, 1983, which sets forth the second solicitation projects with term sheets, the second solicitation projects in phase II, the third solicitation projects undergoing strength review, and third solicitation projects undergoing maturity review together with the supporting data that was provided with that list. That will be made part of the record.

[The material referred to follows:]

February 1, 1983

SECOND SOLICITATION PROJECTS
WITH TERM SHEETS

COAL		TAR SANDS/HEAVY OIL	
CL-15	First Colony	TS-9	Calsyn
		TS-15	Santa Rosa

SECOND SOLICITATION PROJECTS
IN PHASE II

COAL		TAR SANDS/HEAVY OIL	
CL-26	Northern Alabama	TS-2	Kensyntar
CG-13	Cool Water	TS-8	HOP Kern River

THIRD SOLICITATION PROJECTS
UNDERGOING STRENGTH REVIEW

COAL		OIL SHALE	
CL-11	Scrubgrass	SH-21	Union Oil Phase II
CL-25	NEEP		
CG-3	Memphis		
CG-28	Dowsyn		

THIRD SOLICITATION PROJECTS
UNDERGOING MATURITY REVIEW

COAL

CL-1	Hampshire
CL-2	TSA
CL-4	Breckinridge
CL-9	Beluga
CL-12	MAPCO
CL-13	Keystone
CL-28	Ohio I Coal Conversion
CG-22	World Energy
CG-24	KILnGAS
CG-25	National Synfuels
CG-26	Iron City
CG-27	Can-Do

MISCELLANEOUS

NC-5	Northern Peat Energy

OIL SHALE

SH-1	Cathedral Bluffs
SH-5	Cottonwood Wash
SH-7	Paraho
SH-11	White River
SH-15	Pacific
SH-17	Wolf Den
SH-19	American Syn-Crude
SH-20	Silmon Smith
SH-22	Seep Ridge
SH-23	Means Oil Shale

TAR SANDS/HEAVY OIL

TS-3	Sunnyside
TS-13	ENPEX Syntaro
TS-14	Kentucky Tar Sand
TS-16	Porta Plants
TS-17	Falcon Sciences
TS-18	Forest Hill
TS-19	Whiterocks Oil Sands
TS-20	Big Horn
TS-21	Chaparrosa

SECOND SOLICITATION PROJECTS
WITH TERM SHEETS

COAL

CL-15 FIRST COLONY PEAT-TO-METHANOL PROJECT - Creswell, North Carolina
Peat Methanol Associates, a venture of Energy Transition Corporation, Koppers Company, Inc., the Transco Companies, Inc., and J.B. Sunderland, are sponsoring a project to convert peat to methanol using KBW gasification technology. The project would produce 4,700 barrels per day of methanol. Site preparation began in 1982 and construction will begin in 1983. Initial production is estimated for 1985. A price guarantee and a loan guarantee are requested.

TAR SANDS/HEAVY OIL

TS-9 CALSYN PROJECT - West Pittsburg, California
The project operator is California Synfuels Research Corporation of Torrance, California, and the project sponsor is a joint venture of Tenneco, Alberta Oil Sands Technology and Research Authority, and Dynalectron Corporation. The project is proposing "heavy oil conversion" or "dynacracking" to produce 1700 BOED of fuel gas, 2211 BPD of naphtha and 1643 BPD of a heavy petroleum distillate. Construction is expected to begin by the second quarter of 1983 and continue for eighteen months prior to the first production. A loan guarantee is requested.

TS-15 SANTA ROSA OIL SANDS PROJECT - Santa Rosa, New Mexico
Solv-Ex Corporation and Foster Wheeler Energy Corporation are proposing a project to recover 4,000 barrels per day of oil from tar sands by means of a mining operation followed by their proprietary extraction process. The sponsors expect to have the plant operational within 15 months of final approval of financial assistance.

SECOND SOLICITATION PROJECTS
IN PHASE II

COAL

CL-26 NORTH ALABAMA COAL GASIFICATION PROJECT - Murphy Hill, Alabama
The North Alabama Coal Gasification Consortium (members to date are Kidder Peabody, Santa Fe International (not requesting SFC assistance), Air Products and Chemical Co., Raymond International, Houston Natural Gas Co., and Peabody Coal Company) is sponsoring a coal conversion project that would employ a GKT gasifier. The project, initiated by the Tennessee Valley Authority, would produce 25,000 BPD of methanol. Construction would begin in 1983 and initial production is estimated in 1986. A loan guarantee and price guarantee are requested.

CG-13 COOL WATER COAL GASIFICATION PROJECT - Daggett, California
The proposal is being submitted by Southern California Edison Co., a member of the Cool Water Coal Gasification Program (which also includes Texaco, Inc., Electric Power Research Institute, Inc., Bechtel Power Corporation, General Electric Company, ESEERCO and JCWP, a Japanese consortium). The project involves coal gasification using a Texaco gasifier. The gasifier would produce 750 million Btu per hour of synthesis gas to power a 100 megawatt combined cycle electricity generating facility. Construction is under way and initial production is estimated for 1984. A price support is requested.

TAR SANDS/HEAVY OIL

TS-2 KENSYNTAR PROJECT - Edmonson County, Kentucky
Kensyntar, a joint venture of Pittston Petroleum, Ward Douglas and KSA Resources, is proposing a 10,000 barrels per day tar sands project. The project, located in Edmonson County, Kentucky, will use an in situ wet combustion process. Initial production is scheduled to begin in 1984 with full-scale production of 10,000 barrels per day to be achieved in 1987. Both a loan guarantee and price guarantee are requested.

TS-8 HOP KERN RIVER PROJECT - Kern County, California
HOP Kern River Development Associates, Ltd., is proposing a project in Kern River Field in Kern County, California, to produce 6000 BPD of 14° API crude oil by a proprietary steam-drive process. Construction will start in 1984 with initial production beginning in 1986. Loan and price guarantees are requested.

THIRD SOLICITATION PROJECTS

UNDERGOING STRENGTH REVIEW

COAL

CL-11 SCRUBGRASS PROJECT - Venango County, Pennsylvania
Scrubgrass Associates proposes to construct and operate a 10,000 BPD coal liquefaction project to be located north of Lisbon, Venango County, Pennsylvania. Scrubgrass Associates is comprised of: (1) The Pennsylvania Fuels Group (managing partner) whose members are The A-C Valley Corp., C&K Coal Co., Perry Bros. Coal Co. and Mountain States Engineers, and (2) several limited partners, including Prudential-Bache, Parsons-Brinkerhoff, Krupp/GKT, Lyden Oil, J. A. Jones and the Pension Funds of the Atomic & Chemical Workers and the Building Trades. A combination of GKT gasification, ICI methanol synthesis and Mobil methanol conversion will be used to convert local coal resources into gasoline. Construction would start in late 1983 and start-up is expected in April, 1988. A loan guarantee is requested.

CL-25 NEW ENGLAND ENERGY PARK PROJECT - Fall River, Massachusetts
EG&G, Inc., Brooklyn Union Gas, Eastern Gas & Fuel Associates and Westinghouse Electric Co. are sponsoring a project using a Westinghouse coal gasification process to produce 17,000 BOED of power (337 MW) and methanol (1500 T/D) or methane (50 MSCF/day). Construction would begin in the fourth quarter of 1983 and production is estimated to start in the second quarter of 1989. Loan and price guarantees are requested.

CG-3 MEMPHIS PROJECT - Shelby County, Tennessee
Mid South Synfuels Inc., comprised of the City of Memphis (Light, Gas and Water Division) and Foster Wheeler Energy Corp. has proposed a 50-billion-Btu-per-day (8,600 BOED), medium-Btu industrial gas project using U-gas technology. Construction of the facility, located adjacent to the Mississippi River in Shelby County, Tennessee, could start in 1983 and will take four years to complete. Loan and price guarantees have been requested.

CG-28 DOWSYN PROJECT - Iberville and West Baton Rouge Parishes, Louisiana
The Dow Chemical Company is proposing a project to produce medium-Btu gas from lignite and other lower rank coals using its own technology. The proposed plant has a nameplate capacity of 30 billion Btu of synthetic gas per day. Full commercial operation is scheduled for January 1987. Both price and loan guarantees are requested as well as a construction loan.

OIL SHALE

SH-21 UNION OIL PARACHUTE CREEK SHALE PROGRAM, PHASE II - Garfield County, Colorado

Union Oil Company of California has proposed an 80,000 BPD expansion (Phase II) to its Phase I project which will produce 10,000 BPD of syncrude and is scheduled for start-up this year. The Phase I project was awarded price and purchase incentives by DOE in July, 1981 and currently is being monitored by the Corporation. Phase II will be constructed in four 20,000 BPD modules and is scheduled to come on line between 1990 and 1994. Each module of Phase II will include two Union Oil retorts identical or similar to the one utilized in Phase I. Phase II also will involve the expansion of the mine and upgrading plant being used for Phase I as well opening a new mine. Union Oil has requested a combination of loan and price guarantees from the Corporation to support the construction and operation of Phase II.

THIRD SOLICITATION PROJECTS

UNDERGOING MATURITY REVIEW

COAL

CL-1 HAMPSHIRE ENERGY PROJECT - Gillette, Wyoming
The project is a joint venture of Kaneb Service, Inc., Koppers Company, Inc., Metropolitan Life Insurance Company and Northwestern Mutual Life Insurance Company . It involves coal conversion to 21,000 BPD of gasoline and other liquid petroleum products using KBW and Lurgi gasifiers, methanol synthesis, and the Mobil MTG catalytic process. Construction would begin in 1983, and initial production is scheduled for 1986. Price and loan guarantees are requested.

CL-2 TENNESSEE SYNFUELS ASSOCIATES PROJECT - Oak Ridge, Tennessee
The project is being proposed by Koppers Synfuels Corporation, a wholly-owned subsidiary of Koppers Company, Inc. Additional sponsors are being sought. The technology to be employed involves coal conversion to gasoline using KBW gasifiers, M.W. Kellogg methanol synthesis and the Mobil MTG catalytic process to produce gasoline. The project will produce 10,000 BPD oil equivalent product. Initial production is scheduled for 1987. Loan and price guarantees are requested.

CL-4 BRECKINRIDGE PROJECT - Breckinridge County, Kentucky
Bechtel Petroleum, Inc. is proposing a project that will employ the H-Coal direct liquefaction technology to produce approximately 11,300 BPD of oil equivalent products from high-sulfur bituminous Illinois Basin coal. Construction would begin in 1985 and initial production is estimated for late 1988. Loan and price guarantees are requested.

CL-9 BELUGA METHANOL PROJECT - Near Granite Point, Alaska
The project is a joint venture of Cook Inlet Region Inc. and Placer Amex Inc. The proposed technology is indirect liquefaction using the Winkler Fluidized Bed Coal Gasification and ICI Low Pressure Methanol Synthesis processes. Production would be 54,000 BPD fuel grade methanol. Operation would begin in 1989. A loan guarantee and a price guarantee are requested.

CL-12 MAPCO COAL-TO-METHANOL PROJECT - Carmi, White County, Illinois
The project is being proposed by MAPCO Synfuels, Inc. (a subsidiary of MAPCO, Inc.). The project would utilize the Texaco Gasification Process and ICI methanol synthesis to produce 17,900 barrels of methanol per day. Initial operation is scheduled for 1987. Price supports and a loan guarantee are requested.

CL-13 KEYSTONE PROJECT - Somerset County, Pennsylvania
The Westinghouse Electric Company is sponsoring a project to employ Westinghouse coal gasification technology to produce 13,300 barrels per day of methanol by the Westinghouse indirect liquefaction process. Construction would begin in September 1984 and initial production is estimated for April 1988. Loan and price guarantees are requested.

CL-28 OHIO I COAL CONVERSION - Monroe County, Ohio
North American Coal Corporation, Alberta Gas Chemicals Incorporated and Wentworth Brothers are proposing a project to convert coal to Methyl Fuel. Methyl Fuel is a blend of methanol, higher alcohols and a small quantity of water. Plant operation is scheduled to begin in mid-1987. One module with a production capacity of approximately 35,700 BPD is planned. Both price and loan guarantees are requested.

CG-22 WORLD ENERGY, INC. PROJECT - near Wamsutter, Wyoming
World Energy, Inc., of Laramie, Wyoming, is proposing to develop an underground coal gasification project to produce 198 million KW-hr/year (450,000 BOE/year) of electricity, 46,000 bbl/year of light oils (44,000 BOE/year) and 110,000 tons/year of CO_2. The facility will be located in the Great Divide Basin. Construction is planned for late 1983. Plant start-up is projected for 1986. A loan guarantee has been requested.

CG-24 KILNGAS PROJECT - East Alton, Illinois
Allis-Chalmers Coal Gas Corporation is proposing a project to convert coal to approximately 1,200 BOED of low-Btu gas. The plant is scheduled to start-up in June, 1983. A price guarantee is requested.

CG-25 NATIONAL SYNFUELS PROJECT -Undetermined Site, Texas
National Synfuels, Inc., is proposing a multistage gasification project to convert Texas lignite into low-Btu gas. Production rates will vary from 10 million - 100 million Btu/hour. The first project is 70% complete. Additional projects will take one year to complete. A loan guarantee is requested.

CG-26 IRON CITY PROJECT - Ironton, Ohio
Iron City Fuels, Inc., is proposing a project to produce 5 billion Btu/day of medium-BTU gas from Ohio bituminous coal utilizing U-Gas coal gasification technology. Construction could be completed 18 months after a firm agreement is reached with the SFC on loan and price guarantees.

CG-27 CAN-DO PROJECT - Lucerne County, Pennsylvania
Greater Hazleton Community Area New Development Organization, Inc. (CAN-DO, Incorporated) is proposing to enhance an existing facility to produce low-Btu gas from anthracite. Both price and loan guarantees are requested.

OIL SHALE

SH-1 CATHEDRAL BLUFFS PROJECT - Rio Blanco County, Colorado
Cathedral Bluffs Shale Oil Company, a partnership between Occidental Oil Shale, Inc., and Tenneco Shale Oil Company, is proposing a project to produce 11,700 BPD of syncrude from shale utilizing the Union Oil Unishale B retort. An optional case which would combine one Unishale B retort with modified in situ (MIS) retorting has also been proposed and is Cathedral Bluffs' preferred option. This case would produce 11,100 BPD from the above ground retort and 2,400 BPD from MIS. A third case combining 22 MIS retorts with one Unishale B retort was also proposed. This option would produce 13,100 BPD from the MIS retorts and 7,900 BPD from the above ground retort. Start-up is planned for mid-1988. Loan and price guarantees are requested.

SH-5 COTTONWOOD WASH PROJECT - Uintah County, Utah
Magic Circle Energy Corporation is proposing a project to produce 33,000 BPD of shale oil. Initial production will be 8,260 BPD, and financial assistance is being requested for the first module only. The plant will use surface retorting of the oil shale based on Paraho technology. Commercial production is scheduled to begin in October 1986 and reach full-scale by February 1988. Ultimate production (4 modules) would be achieved in 1993. The sponsor is requesting a loan guarantee and a limited purchase agreement.

SH-7 PARAHO-UTE PROJECT - Uintah County, Utah
Paraho Development Corporation is proposing a project which will use the proprietary technology of Paraho for a surface retort system to ultimately produce 39,500 barrels per operating day of hydrotreated shale oil. Additional equity sponsors are being sought. Planned field construction is to begin the second quarter of 1983. Oil production would begin the fourth quarter of 1985 on a reduced scale. Full production would begin the third quarter of 1990. The sponsor is requesting loan and price guarantees.

SH-11 WHITE RIVER PROJECT - Uintah County, Utah
Phillips Petroleum Co., Sunoco Energy Development Corp. and SOHIO are proposing a project to produce 14,000 BPD of shale oil utilizing the Union B retort by 1989. Ultimate production envisioned is 100,000 BPD shortly after the year 2000.

SH-15 PACIFIC OIL SHALE PROJECT - Garfield County, Colorado
A proposal has been submitted by Cleveland-Cliffs Iron Company, a participant in the Pacific Oil Shale Project. Other participants (who are not requesting SFC support) are Standard Oil Company of Ohio and Superior Oil Company. The project is considering alternative technologies, including the Superior Oil/Davy McKee circular grate retort, to produce 45,000 barrels per day of shale oil. Construction of the first 15,000 BPD module is expected to begin in 1984 with completion by January 1987. A loan guarantee is requested for the Cleveland-Cliffs portion only.

SH-17 WOLF DEN PROJECT - Uintah County, Utah
Geokinetics, Inc., is sponsoring a project located south of Vernal, Utah to produce 4,000 BPD of syncrude from oil shale utilizing Geokinetics' "LOFRECO" in situ process. Construction is scheduled to start in early 1984, with first production expected in early 1986. Loan and price guarantees, along with a cost-sharing agreement to improve the project design, are requested. Further, joint venture assistance is requested if all requisite equity is not in place by the deadline imposed by the SFC.

SH-19 AMERICAN SYN-CRUDE PROJECT - Olive Hill, Kentucky
American Syn-crude Corporation is proposing a project to produce 4,160 BPD of shale oil. They plan to use the "Petrosix" technology developed by Petrobras of Brazil, a surface retort. Construction would begin in 1985, with start-up scheduled for 1989. Both a loan guarantee and price guarantee are requested.

SH-20 SILMON SMITH PROJECT - Garfield County, Colorado
The Shale Energy Corporation of America (SENCA) and the Kellogg Corporation are the sponsors of the Silmon Smith oil shale project. This project would produce approximately 5,800 BPD of shale crude from oil shale mined using the room-and-pillar method and processed in a surface retort. Operation of the plant is scheduled to begin 42 months after project initiation. A price guarantee is requested.

SH-22 SEEP RIDGE PROJECT - Uintah County, Utah
Geokinetics, Inc., is sponsoring the Seep Ridge Project located south of Vernal, Utah. It will produce 1,000 BPD of shale oil. Construction is scheduled to begin in 1983 utilizing Geokinetics' "LOFRECO" in situ extraction technique. The crude shale oil will be upgraded to diesel fuel and other refinery products. Both a loan guarantee and price guarantee have been requested.

SH-23 MEANS OIL SHALE PROJECT - Montgomery County, Kentucky
Southern Pacific Petroleum and Central Pacific Minerals are joint sponsors of a project proposed to the Corporation to extract oil from eastern shale. The Dravo Traveling Grate Retort technology is to be used to produce a projected 13,440 barrels of upgraded shale oil per day. Full operation of the plant is scheduled for the second quarter of 1988. Both price and loan guarantees are requested.

TAR SANDS/HEAVY OIL

TS-3 SUNNYSIDE TAR SANDS PROJECT - Carbon County, Utah
Standard Oil of California and GNC Energy Corporation are proposing a project to produce bitumen from tar sands through mining and solvent extraction. The bitumen will then be upgraded to a syncrude using conventional refining techniques. 1,500 BPD would be produced in the first commercial phase. The second phase would result in a commercial plant that would produce up to 35,000 BPD. Construction of the first module would begin in the first quarter of 1984, with first production estimated for late 1985. A price guarantee is requested on the first module and on subsequent modules up to 35,000 BPD.

TS-13 ENPEX SYNTARO PROJECT - Maverick and Zavala Counties, Texas
The ENPEX Corporation, TESORO Petroleum, Pickens Energy, C.E. Lummus and Texas Tar Sands Ltd. (ENPEX and Ray M. Southworth - General Partners; Superior Oil, Getty Oil and the Whittier Interests - Limited Partners) propose a project to produce and upgrade 10,000 BPD of tar in Maverick and Zavala Counties, Texas. Production will be by steam drive. The LC-Fining process, licensed by C-E Lummus, will be used for upgrading. Construction is scheduled for 1984 and 10,000 BPD operation is expected to be achieved in 1986. Loan and price guarantees are requested.

TS-14 KENTUCKY TAR SAND PROJECT - Logan County, Kentucky
The Kentucky Tar Sand project is sponsored by Texas Gas Development Corporation and is located in northwestern Logan County. It will employ the Dravo Solvent Extraction Processes for tar sands. It will produce 5,000 BPD of heavy crude oil and construction is scheduled for October 1983. Start-up will be in late 1986. A price guarantee has been requested.

TS-16 PORTA-PLANTS PROJECT - Roosevelt, Duchesne County, Utah
Porta-Plants, Inc., is proposing a project to produce 1,000 BPD of bitumen from high-grade Utah tar sands utilizing an optimized hot water disengagement and selective cohesion process. The first phase (for which SFC assistance is not requested) involves construction and operation of a 100 BPD plant. Construction of the 1,000 BPD facility would follow on the same site, with start-up scheduled for October, 1985. Price and loan guarantees are requested.

TS-17 FALCON SCIENCES PROJECT - Butler County, Kentucky
Falcon Sciences Incorporated is proposing a project to produce oil from tar sands. The project is planned to include five 100-acre grids. Production is projected to be 2,000 barrels per acre per year. A loan guarantee is requested.

TS-18 FOREST HILL PROJECT - Wood County, Texas
Greenwich Oil Corp. is proposing a project to produce heavy oil from the Harris Sand Reservoir in the Forest Hill Field in Texas. The project will start up in January, 1984 and continue for a period of 23 years. A maximum rate of production of 1,750 BPD will be reached in 1987. Loan and price guarantees are requested.

TS-19 WHITEROCKS OIL SANDS PROJECT - Roosevelt, Utah
As a joint venture, Enercor, Hingeline-Overthrust Oil and Gas Corporation and Rocky Mountain Exploration Company are proposing a project to recover and upgrade 5000 BPD of oil from tar sands. The project plans to use open pit mining to recover the ore which will then be processed using a patented technology. Both price and loan guarantees are requested.

TS-20 BIG HORN PROJECT - PR Springs Region, Utah
Big Horn Oil, Incorporated, is proposing a project to ultimately produce 4,000 BPD of oil from tar sands. A price guarantee is requested.

TS-21 CHAPARROSA RANCH TAR SANDS PROJECT - Zavala County, Texas
The Chaparrosa Oil Company is proposing a project to use steam-drive technology to produce tar from the San Miguel tar sands formation. Initial production from the two 5,000-barrel-per-day modules proposed is scheduled to begin in the first quarter of 1984. A price guarantee is requested.

MISCELLANEOUS

NC-5 NORTHERN PEAT ENERGY PROJECT - Southeastern Maine
Wheelabrator-Frye, Inc., is proposing a project utilizing wet carbonization of peat to produce a "peat-derived fuel" which is a low-sulfur, low-ash solid fuel substitutable for oil, coal, or wood in existing and new utility, industrial, and residential burning facilities. The project will produce 960,000 BOE/year of fuel. Construction will start in early 1984, and production would begin in early 1986. Price and loan guarantees are requested.

The CHAIRMAN. In that connection, just for the record, my understanding is that these projects first go through a strength review, maturity review first, to indicate that they are ready to go?

Mr. NOBLE. Yes, sir.

The CHAIRMAN. Then you look at the strength?

Mr. NOBLE. Yes, sir. But while they're going in the third solicitation and as soon as they pass that maturity test we will start active negotiations.

The CHAIRMAN. That's what I thought. The maturity test really was the last step.

Mr. NOBLE. It's the first step.

The CHAIRMAN. And you have, in the second solicitation projects, first with the term sheets you have one coal project in that category. In phase II you have two coal projects. In the third solicitation undergoing strength review you have four projects in coal. And undergoing maturity review under the third solicitation projects you have 12.

Mr. NOBLE. Actually we have a number of other projects that probably are going to pass the maturity tests. They closed the third solicitation on January 10 and they process them as fast as they responsibly can.

The CHAIRMAN. There may be more added to the list in the very near future?

Mr. NOBLE. Yes, sir.

I would guess maybe as many as 14 or 15.

The CHAIRMAN. For the record, the staff has been told that there are errors in the appendix to the President's budget for the SFC. Would you supply for the record the current figures including any correspondence with OMB?

Mr. NOBLE. Yes, sir.

[The requested information follows:]

A. There has been no exchange of correspondence between SFC and OMB at this time.

(Insert this table, page IV-15, OFF-BUDGET FEDERAL ENTITIES, Appendix to the Budget)

Status of Program Authority

[in millions of dollars]

	1982 actual	1983 estimate	1984 estimate
Unused program authority, start	5,993	14,887	8,864
Additional authority	8,906	......	......
Total authority	14,899	14,887	8,864
Obligations and commitments:			
Financial assistance	......	6,000	7,200
Administrative services	12	19	24
Other obligations	......	4	3
Total obligations and commitments for guaranteed loans	12	6,023	7,227
Unused program authority	14,887	8,864	1,637

Insert page 5-35, Budget of the U.S. Government FY 1984

NATIONAL NEED: ENERGY - Continued

(Functional code 270; in millions of dollars)

Major missions and programs	1982 actual	1983 Estimate	1984 Estimate	1985 Estimate	1986 Estimate
Subsidies for non-conventional fuel production	10	25	67	96	236

Insert, page 5-37, Budget of the U.S. Government, FY 1984

$7.2 billion in 1984. The immediate budget impact of this activity is expected to be [$50] $25 million in outlays in 1983 and [$869] $67 million in 1984. Depending on such factors as conditions in the world oil market and the precise terms of the subsidies agreed to, outlays resulting from this activity may increase significantly over time, up to the full amount of the loan and price guarantees.

The CHAIRMAN. Under the first two general solicitations you received oil shale proposals that were rejected. What additional proposals do you expect from the targeted solicitation that you are not already aware of? What do you expect that to do, in the targeted solicitation?

Mr. NOBLE. As I said earlier there are a number of at least several fairly substantial sponsors that have been carrying on and have carried on millions of dollars of research in R&D that, under today's circumstances, might slow down their progress or even stop that progress, that have not seen fit to come under the general solicitations.

The CHAIRMAN. You expect some additional sponsors?

Mr. NOBLE. Yes, sir. Now they can apply under both solicitations if they wish. They would have to make a decision at such time as we choose them in one solicitation or another to enter into negotiations with them. At that time they would have to make a decision, but initially they could be under both solicitations.

The CHAIRMAN. If I understand your experience to date, some of the sponsors that were project sponsors were dropped in the first solicitation and resubmitted in the second solicitation. They did not resubmit identical applications; they strengthened those.

Mr. NOBLE. Exactly. The amount of strenghthening that we had, both in the second and the first solicitation, of projects that were dropped was very gratifying.

The CHAIRMAN. I would suggest that would be the result in the third solicitation, will it not?

Mr. NOBLE. Yes, sir.

The CHAIRMAN. Even those that were targeted that were in the first or second have the opportunity to come back with strengthened proposals?

Mr. NOBLE. That is correct. As you know, any time a project is dropped we have a very thorough debriefing and try to encourage them where we think is reasonable, so that they can improve that project. And we now, as you know, are using our letters of intent, and we're thinking about even using statements of interest so they can help both secure their equity and their management strength.

The CHAIRMAN. You note in your statement the Board made initial funding designations of $6 billion for coal projects, $3 billion for oil shale, and $1 billion for tar sands and heavy oil projects. Now this allocation suggests that you have in mind a specific award strategy. If so, what is the award or strategy? How did you arrive at these figures?

Mr. NOBLE. This was a programmatic estimate.

The CHAIRMAN. You mean you think it costs more to get them in?

Mr. NOBLE. Yes; and also to put them over different resource bases. The tar sands projects are generally smaller projects and they're less expensive on a power production basis. The oil shale projects are probably next in order and then coal. This is really just a kind of a programmatic guess at this point. It's turning out I think to be very close.

Mr. SCHROEDER. Senator, we have since had an opportunity to refine those numbers and we find that the estimates we made nearly a year ago seem to be working out as we learn about costs, and more about sponsoring interests.

The Chairman. Does the allocation of money to these kinds of projects, these categories and projects, also bear a relationship to the statutory requirement of diversity?

Mr. Schroeder. Yes, it does.

The Chairman. In approximately 14 months the Corporation is expected to submit to Congress its comprehensive strategy for phase 2 along with the analysis of the awards of phase 1. Do you expect to complete phase 1 before the comprehensive strategy is submitted to the Congress?

Mr. Noble. I guess we would not. We would have to use what we have at hand and we are developing this at this moment, as you pointed out.

Mr. Schroeder. Actually we are aware that we won't have much operational experience to rely on at that time. However, we do have an awful lot of cost experience for construction and the problems that sponsors run into in getting permits, assembling their land and putting their management groups together and getting financing, and such as that. That will necessarily be clarified as we develop this recommended comprehensive strategy.

The Chairman. This is a problem that works on leaks and rumors. Some of those are good; some of them cause concern. I want to commend you, Mr. Noble, for the role that you've played in the last 2 or 3 weeks, in particular, in focusing on administration policy. You may be instrumental in the outcome of the review. My understanding of that is not detailed because I didn't attend those meetings and I'm not going to reveal any private conversations in what I now say, but I understand that the administration initially had great doubts about the wisdom of the governmental involvement in what many thought should be private sector initiative. But that has been resolved, at least for now. At least for phase 1. That's part of the reason for the question I just asked with respect to phase 2, because if I understand your commitment, they reserve their options to make a different judgment with respect to phase 2, and they expect to review the entire spectrum of issues before making a decision about their position with respect to phase 2. I note also, and the record should reflect, that the SFC is an independent corporation operating under the authority of Congress and not operating under the direction of OMB in the traditional sense. Having said that, I also note the realities which are the nonstatutory lines of authority.

I respect both your willingness to work within that nonstatutory line, while also recognizing the statutory authority. There are a great many people who are very much concerned that maybe the nonstatutory line of authority was more real in directing SFC actions than the statutory mandates. I think the actions of the last several days, several weeks, may well put that to rest. I want to state, for the record, that I appreciate the positions which you occupy, the way in which you've discharged those responsibilities, in particular the outcome.

Mr. Noble. I appreciate it, sir. I think we have got to continue to make the argument, and the only argument that I make, that it is to the national security and economic interest of the country to have the synthetic fuels option in front of the country that we can respond to when the need, as Senator Ford says, may be around the corner. We hope that we can continue that and we appreciate your help also.

The **Chairman**. You will have it.

I want to refer in that context to your letter which is appended to your statement and which has been made part of the record. It's dated January 27, 1983. I refer to the last sentence of the second paragraph. It says and I quote, "Unfortunately, sound business judgement does not always correspond with sound national interests."

That's a very interesting statement that I think is the heart of both the controversy and the resolution of the controversy. There are some national interests that must be met, but won't necessarily be met as fully, expeditiously and promptly as they should be simply in the marketplace.

Mr. **Noble**. That is my feeling, and at the same time I'm doing my best to keep it as a private sector oriented operation.

The **Chairman**. I understand that and I commend you for that. That's part of the reason it takes a little while. You don't always find success in the first step of that process. Congress was very careful in delineating the steps because we desired that that balance be struck.

You are aware of the letter from the Department of the Treasury regarding the availability of the unobligated TOSCO funds. The record should indicate that this committee disagrees with the Treasury's interpretation of congressional intent. Under the provisions all those moneys would now be available for obligation by the Synthetic Fuels Corporation. I hope we get that resolved very quickly so that you may know with some certainty what the effects are, what the availability of funds is, and particularly have established a procedure and understanding because we don't know that all of these projects once submitted won't be pursued to completion.

Mr. **Noble**. I hope it will be, sir.

The **Chairman**. There may be some written questions to be submitted for the record by members of the committee. They will have until close of business today to get those questions through staff. I hope you can supply answers to those questions by the end of next week so that they may be put in the record.

Mr. **Noble**. We'll be happy to, sir.

Senator **Ford**. Is there any consideration given at all for overrides where the Corporation would participate, or is it a figure and that's it and no more?

Mr. **Noble**. Nearly all the prices have a recoup provision if the market goes above a certain line.

Senator **Ford**. I'm talking about the construction not the technology.

Mr. **Noble**. Cost overruns.

Senator **Ford**. Yes.

Mr. **Noble**. The law provides certain ways that we can, to a certain extent, go above what was originally estimated. This is one reason that we feel if we control the design and know that the design is very detailed before they begin, we think the chances of that are less. But we do have provisions in the statute that allows us to extend beyond the original commitment.

Senator FORD. Is there a magic number, Mr. Noble?

Mr. NOBLE. I believe it's 50 percent.

Senator FORD. You and the contractor could share 50 percent of the overrides?

Mr. SCHROEDER. Senator, it's my opinion that the cost overrun cannot be participated in by the Synthetic Fuels Corporation if it's more than 200 percent. But please don't hold me to that. I would like to check that.

The CHAIRMAN. Could you check it and provide it for the record?

[The requested information follows:]

Sections 132(a)(3) and 133(a)(3) of the Energy Security Act provide that where the Corporation has entered into a loan or loan guarantee, and the total costs of the project are thereafter estimated by the Corporation to exceed the initial total costs estimated by the Corporation as of the date of the loan, loan guarantee or commitment to guarantee, the Corporation may lend or guarantee additional amounts up to 50 percent of the difference between the revised total estimated cost and the initial total estimated cost, provided that the revised estimate does not exceed 200 percent of the initial estimate, and if the revised estimate does exceed 200 percent of the initial estimate but is not more than 250 percent thereof, the Corporation may lend or guarantee additional amounts up to 40 percent of the amount in excess of 200 percent of the initial estimate. If the revised total estimated cost exceeds 250 percent of the initial total estimated cost adjusted to include any increase or decrease pursuant to an appropriate construction price index the Corporation may not award such additional amounts unless the Corporation has transmitted to the Congress a Corporation synthetic fuel action and such action is not disapproved.

Senator FORD. And also, is there a magic number by which you couldn't exceed, say you come in with a maximum request and then say, what is that $3 billion?

Mr. SCHROEDER. I believe $3 billion.

Senator FORD. And the private enterprise comes up within and they begin construction but we hit a snag that nobody anticipated. Are you then allowed to go into cost overruns?

Mr. NOBLE. I'm pretty sure we can, but I'll have to check that.

[The requested information follows:]

Section 131(j)(1) and related provisions of the Energy Security Act establish the Corporation's current ceiling on funding for any individual project or person at 15 percent of the total obligational authority of the Corporation. There appears to be no authority in the statute to exceed this ceiling even where additional monies are required because total costs of the project are thereafter estimated by the Corporation to exceed the initial total costs estimated by the Corportaion as of the date of the initial loan, loan guarantee or commitment to guarantee.

Senator FORD. When it hits that magic number of three then you are at your end?

Mr. NOBLE. That was based on 15 percent of the original $20 billion. I belive that's where that came from.

Senator FORD. There is some nervousness, I mean everybody is doing the best they can and everybody thinks they have the right figures, but I think there is some nervous consideration.

Mr. NOBLE. This is one reason we try to encourage a little smaller initial plants so that they're not faced with that, trying to get right up to the top there, and it will give us a chance to have more technologies and score more projects than if we have too many really maximum projects.

The CHAIRMAN. Thank you.

Senator Warner?

Senator Warner. During the lifetime of this SynFuels Corporation, the energy prices flucuate substantially. My question is, would there be any advantage in our looking at coal statutory changes to give you a greater deal of flexibility to go out there and get some of these pilot projects put up? I firmly believe that it's essential for this Nation to establish a clear baseline data of the cost of reducing synthetic fuel, so if we're confronted with another, I might add, prolonged period of very high energy prices, the private sector then would have a database on which to go and determine whether or not investment capital should be put together with government capital to build a plant of the substantial amounts.

Mr. Noble. At this moment I don't know that I would recommend statutory changes. Some of the things that Congress changed in the last law have been very implemental to investment fuels. The investment tax credit which was not extended, those are some of the things that made it much more difficult because it changed the rate of return on equity so drastically that it will probably cause the Synthetic Fuel Corporation if it moves ahead to assist projects even more substantially than they would have, had those laws not been changed. I'm not telling Congress how to make their laws.

Senator Warner. You should be. Your job is what is best in the statutory framework. Do you agree with my premise that you want to establish pilot projects which will give us the data base on the conversion of natural resources into some type of useable fuel?

Mr. Noble. Yes, sir.

Senator Warner. That's what we're trying to do. And then extrapolate from a project into the overall requirement for that particular fuel. They can then extrapolate what the total cost of the plant investment versus return, so I'm just asking you, you're subject to so many gyrations in energy prices.

Mr. Noble. They say the things that have hurt [illegible] the most have been the changes in the tax laws, as far as getting these things underway more quickly. As far as other things are concerned at this point, the old saying if it ain't broke, don't fix it, and I think we're going to be——

Senator Warner. So you end on the note that you ain't broke now so don't meddle with us?

Mr. Noble. I guess you could say that. The tax laws have hurt very much.

Senator Warner. Maybe we ought to have some special consideration for entrepreneurs who are trying to develop this technology.

The Chairman. I share the same feeling, that the changes that we have done in TEFRA and the expiration of the energy tax credits has just moved some projects from financially feasible into the unfeasible column. That's unfortunate at the present time because those economics are fragile anyhow in the planning energy market. I think we need some measurement of what's happening to us. If you can shed some light on that, I would appreciate it if you could furnish it for the record.

Mr. Noble. I'll have our financial people do that in more detail.

[The requested information follows:]

January 24, 1983

EFFECT OF INCOME TAX CHANGES ON PROGRAM OF U.S. SYNTHETIC FUELS CORPORATION

Income tax events of 1982 have injured the ability of the U.S. Synthetic Fuels Corporation (SFC) to carry out its program for the development of synthetic fuel plants in the United States. By limiting the amount and timing of tax benefits, such changes reduced the attractiveness of private investment in synfuels. The loss of tax benefits coincided with other economic disincentives including a sharply lower outlook for energy prices over the long term and the recession-induced fall in corporate cash flows that resulted in more conservative investment behavior. One result has been cancellation of a number of proposed synfuel projects.

To offset the negative events SFC must offer the surviving projects more support, which will consume its fixed pool of authorized funds on fewer plants. Large synfuel projects today typically require loan guarantees subsequently convertible to price guarantees for the full 75% of capital that is SFC's legal maximum, plus a significant amount of additional price guarantees. SFC guaranteed loans must be repaid with interest, and SFC price support payments are taxable income over a period of distant years, causing both forms of aid to have a lower discounted present value than net tax benefits that occur in the early years of a project. SFC must in some instances offer several dollars of additional support to offset each dollar of unavailable tax benefit.

It appears that under present tax and economic conditions average SFC assistance will equal 100% of a plant's cost. In this analysis, it is assumed that SFC's obligational authority of approximately $16 billion is sufficient to bring about the construction of 10 large coal and oil shale projects at an average cost of about $1.5 billion each, with the remainder used for tar sands and miscellaneous small projects. (The actual range for large projects may be from $.5 billion to as much as the legal ceiling of $3 billion.) An estimate is made below of the equivalent number of additional large plants SFC could foster if pre-1982 tax benefits were restored and the ETC were amended to a fuller effectiveness. For analytical purposes, it is assumed that availability of such tax benefits would permit SFC to reduce its assistance to each project and that the reduction would impact both forms of assistance equally.

The number of major plants that SFC can support is a critical aspect of its mission of providing a diversified portfolio of synfuels projects by assisting with the funds available. There are approximately twenty significant technologies applicable to the principal synthetic fuel resources, of which six for oil shale, ten for coal gasification/liquefaction and six for direct coal liquefaction. Even if each assisted plant is unique, SFC will be able to support about half the available technologies. Several additional technologies could be brought to the production stage if SFC's funds were supplemented by improvement of tax benefits. The relative importance of such tax changes is assessed below.

1. Extension of Energy Tax Credit Affirmative Action Date. The Energy Tax Credit (ETC), which dates from 1978, in essence grants an additional 10% investment tax credit to certain expenditures on a wide variety of alternate energy facilities. Although it is available for projects through 1990, its use by synfuels investors is sharply curtailed by an "affirmative commitment" date that required completion before January 1, 1983 of all necessary engineering studies and the filing of applications for all environmental and construction permits for the commencement of construction. (Oddly, the ETC for alternate energy other than synfuels is available for projects begun through 1985 without any "affirmative commitment".) Because of the economic disincentives that prevailed during 1981-2, many synfuels projects were unable to proceed at a pace that enabled them to meet the deadline. SFC estimates that only about half a dozen projects of the 30 potentially qualified projects presently under consideration have, with near certainty, met the deadline. It is assumed that 50% of SFC assistance will eventually go to projects that failed to meet the deadline.

The ETC is a potent incentive to synfuels projects. One dollar of ETC has the same impact on rate of return on equity as four dollars of incremental SFC assistance. The affirmative action date cutoff will probably require SFC to offer $2.0 billion of additional aid to projects that were unable to comply in a timely fashion, which aid would otherwise be available to subsidize an additional 1.3 large synfuel plants. Therefore SFC recommends the extension of the date to January 1, 1986, which is the affirmative action date for execution of contracts involving 50% of construction cost.

2. Broadening the Eligibility of Synfuel Outlays for ETC. The ETC, when enacted, contained certain restrictions that make it less effective for synfuel plants than an extra 10% investment tax credit. SFC recommends the following amendments to the ETC.

a. Inclusion of Ancillary Facilities. The ETC is not applicable to certain items of equipment essential to synfuels projects but not in the main stream of conversion, e.g. oxygen plants. It is estimated that 35% of the physical equipment and construction cost of a typical plant comprises such ineligible items. SFC recommends broadening of the ETC to include them, which would be equivalent to $1.6 billion of incremental SFC assistance to the industry and would effectively permit SFC to sponsor one additional large plant.

b. Inclusion of Tar Sands and Eligible Heavy Oil. The ETC applies to projects that produce synthetic fuel from coal and shale, but not from tar sands and certain heavy oils that the SFC is authorized to support. Broadening of the ETC to apply to such projects would offset incremental SFC assistance of $0.3 billion, equivalent to sponsorship of an additional 0.2 large synfuel plant.

3. Restoration of Benefits Removed by TEFRA. The 1982 tax act (TEFRA) introduced several benefit reductions that are especially painful to synfuel projects due to their capital-intensiveness. SFC recommends that the previous benefits be restored for synfuel plants.

a. Capitalization of Production Period Interest. TEFRA requires the capitalization of interest expense incurred for acquisition of real property during construction. Because synfuels plants require long construction periods, this was a costly change. (As Treasury regulations have yet to be issued the impact is unknown. The "worst case" is assumed to be applicable, namely 90% of plant costs deemed real property.) If the tax laws were amended to again permit current expensing of interest, SFC support of about $2.0 billion would be freed up to assist another 1.3 plants.

b. Reduction of Basis by One Half of ITC. TEFRA requires this basis adjustment, which reduces depreciation benefit. Elimination would be equivalent to $0.7 billion of SFC incremental support, or another 0.5 large plant.

c. Reduction of Basis by One Half of ETC. This is similar to the above change. If ETC were made fully effective as recommended above, the additional benefit of eliminating this item would allow SFC to save $0.7 billion of supports, equivalent to another 0.5 plant.

d. Change in 5-Year ACRS. TEFRA reduced the effectiveness of depreciation for 1985 and later years. Restoration of the previous law would allow SFC to conserve $1.3 billion of supports, enough to sponsor another 0.9 large plant.

Summary of Impacts. Taken together, the recommended changes listed above would have a cumulative result of benefiting the rate of return on synfuel projects to the same degree as $8.6 billion of SFC assistance. If such benefits were fully available, the SFC's authorized funds might be sufficient to support 15 to 16 large plants, rather than the 10 presently envisioned. SFC would thereby come much nearer to achieving the technological diversity that is the main thrust of its program.

The SFC recommends legislative actions that would provide the foregoing tax benefits to private sector sponsors of synfuel projects.

Summary of Additional SFC Support (Resulting From Certain Tax Changes) That Could Assist Additional Projects

1. Extension of ETC Affirmative Action Date	$2.0 billion
2. Broadening Eligibility of ETC to include:	
a) Ancillary facilities	1.6
b) Tar sands and heavy oil projects	.3
Subtotal	1.8
3. Restoration of Benefits Removed by TEFRA	
a) Capitalization of interest during construction	2.0
b) Reduction of basis by 50% of ITC	.7
c) Reduction of basis by 50% of ETC	.7
d) Change in 5-year ACRS schedule	1.3
Subtotal	4.7
Total	$8.6 billion

Totals may not add due to rounding

The CHAIRMAN. It isn't just Synthetic Fuels Corporation projects, there are a whole host of others. I would say to the Senator from Virginia, I was in Nebraska last fall listening to the presentations being made by people that are putting in plants to capture methane and use it commercially either in their own plants for power or in their own operations because some of those are cattle feeding lots. I know that the energy tax credit on the capital investment will move some of those right out of the feasible area. There is no tax law involving a tax credit for a plant that isn't built.

Thank you very much, Senator Warner, and thank you Mr. Noble.

The committee is adjourned.

[Whereupon, at 12:40 p.m., the hearing was adjourned.]

APPENDIX III

RESPONSES FROM MR. CROWELL TO ADDITIONAL COMMITTEE QUESTIONS

JAMES A. MC CLURE, IDAHO, CHAIRMAN
MARK O. HATFIELD, OREG.
LOWELL P. WEICKER, JR., CONN.
PETE V. DOMENICI, N. MEX.
MALCOLM WALLOP, WYO.
JOHN W. WARNER, VA.
FRANK H. MURKOWSKI, ALASKA
DON NICKLES, OKLA.
CHIC HECHT, NEV.
JOHN H. CHAFEE, R.I.
JOHN HEINZ, PA.
J. BENNETT JOHNSTON, LA.
HENRY M. JACKSON, WASH.
DALE BUMPERS, ARK.
WENDELL H. FORD, KY.
HOWARD M. METZENBAUM, OHIO
SPARK M. MATSUNAGA, HAWAII
JOHN MELCHER, MONT.
PAUL E. TSONGAS, MASS.
BILL BRADLEY, N.J.

MICHAEL D. HATHAWAY, STAFF DIRECTOR
CHARLES A. TRABANDT, CHIEF COUNSEL
D. MICHAEL HARVEY, CHIEF COUNSEL FOR THE MINORITY

United States Senate
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, D.C. 20510

February 4, 1983

The Honorable John B. Crowell, Jr.
Assistant Secretary
Department of Agriculture
Washington, D.C. 20250

Dear Mr. Crowell:

On behalf of the Committee on Energy and Natural Resources, I wish to express its appreciation for your contribution to our understanding of President Reagan's proposed budget for Fiscal Year 1984.

In connection with your testimony before the Committee on February 3, 1983, enclosed are questions for the record. Your response by Thursday, February 10, 1983, would be appreciated. Your response and any inquiries regarding this request should be directed to the attention of Richard D. Grundy, professional staff member at (224-2564).

Sincerely yours,

James A. McClure

James A. McClure
Chairman

JAM:rg/nm
Enclosures

Questions Submitted to Assistant Secretary Crowell
Department of Agriculture

From Majority Members
Committee on Energy and Natural Resources

February 3, 1983

1. Mr. Secretary, could you provide us with the status of timber sale contracts on the National Forest System?

2. How many contracts are in default? How many are near default? Where are they located? How many board feet are involved? What is the $$$ value?

3. Forest Service Budget target for receipts from sale of Forest Service lands is $200,000,000. Assuming legislation is changed, what are the per acre cost assumptions? How many acres proposed in this assumption?

QUESTIONS SUBMITTED TO ASSISTANT SECRETARY CROWELL

from Minority Members

Committee on Energy and Natural Resources

February 3, 1983

RARE II

Before you announced your decision on RARE II this week, how likely was it that all timber sales planned for roadless areas in FY 1984 would be challenged in court?

Do you feel that your decision on how to handle the 9th Circuit Court's decision has in any way increased the likelihood of such challenges?

Isn't your decision in this regard, i.e., to evaluate the wilderness potential of roadless areas at the same time you are permitting non-wilderness activities in those areas, similar to the one made by the Forest Service back in the early 70's that resulted in the so-called Parker decision and ultimately to RARE I and II?

You indicate in your statement on page 2 that planned management activities in the roadless areas will continue unless challenged on a case-by-case basis. Isn't it more likely that these actions will be challenged generically in a nationwide lawsuit?

Will the Administration be transmitting nationwide sufficiency/release language to the Congress in the near future?

5. ESTIMATES OF RECEIPTS

What was the Forest Service's estimate of receipts in the previous two budget proposals and what was the total amount of receipts actually collected?

Please provide similar information for the estimates of timber harvest levels in the previous two budgets and the amount of timber actually cut.

6. ASSET MANAGEMENT PROGRAM

Are your estimates of land sales in this budget request different from last year's estimates? Please explain the apparent significant lowering of these estimates from last year to this.

Why has it taken the Department so long to draft and propose legislation in this regard? If "in depth review" and possible disposal will not be undertaken until after this legislation is enacted, what is so difficult about generating a legislative proposal?

Of the 60,000 acres so far identified and eligible for sale, how much is now subject to the provisions of the FY 1983 Interior Appropriations Act relating to land disposal?

Do you support the public and congressional involvement provisions of that amendment?

7. STATE AND PRIVATE FORESTRY

The FY 1984 Forest Service budget recommends a 60 percent reduction in state and private forestry programs. That account was cut over 20 percent last year. Is it the intention of the Administration to eventually eliminate all state and private forestry programs?

8. FEES

You estimate that $51 million in receipts are expected in FY 1984 from recreation admission and user fees. How does this figure break out between the two categories? Will you need additional legislative authority to collect this level of receipts? Into what account are these receipts currently credited?

B. ROAD COSTS

In 1982, Forest Service road construction costs averaged $1,615.00 per mile while timber purchaser road construction averaged $273.00 per mile. What is the reason for this disparity?

Purchaser road costs in the Tongass National Forest in Alaska averaged $1395.00 per mile in FY 1982 and 1983. However, the projection for FY 1984 is that these costs will jump to $2,409.00 per mile. Why this tremendous increase in one year? Can we expect these costs to remain at this higher level in the out years?

Questions submitted from Senator Johnston

10. In FY 1982 and again in FY 1983, both the House and the Senate determined that at least a minimal land acquisition program should be continued by the Forest Service and appropriated in FY 1982 to USFS from the Land and Water Conservation Fund $27,356,000 and in FY 1983 $56,877,000 for land acquisition.

Please submit, for the record, a chart showing the following by project, for every authorized project:

a) existing authorized ceiling - authorized appropriations and acreage

b) acreage acquired to date and funds expended for that purpose

c) total acreage remaining to be purchased and estimated cost of acquisition

d) of the total appropriation, how much has been expended and how much has been obligated .

e) if any funds are unobligated, indicate from what year there is a balance and the reason why

f) whether there are any outstanding court awards likely to come due in FY 1983 that are uncovered or in FY 1984's budget request

g) whether there are any options held by Federal or nonprofit entities on any unacquired acreage which will expire in FY 1984 and if so, provide full details and cost estimates

h) level of development threat present

i) whether preservation of the habitat of any endangered or threatened species is involved

1. If the following amounts were made available for land acquisition in FY 1984, what would the project priorities be?

List by project the amount needed, the acreage to be acquired and the justification for each.

a) $30 million

b) $60 million

12. Do you or does the Administration have any plans to submit a rescission request for any of the remaining land acquisition funds in FY 1983? If so, for how much?

13. This year, the budget documents state that the Administration expects to increase offsetting receipts from the disposition of surplus property by $0.4 billion in FY 1983 and by $1.0 billion in FY 1984.

Are any Forest Service lands included in the basis for these estimates? Are any wilderness areas or areas in national forests included?

Please furnish a list with specific details if the answer is yes to either of the above questions.

14. In FY 1981, I offered an amendment, adopted in conference, to the Interior appropriations bill adding over $1 million for work on an important visitor use cite at Lake Kincaid in the Kistachie National Forest. This facility was to provide camping, hiking and swimming opportunities for handicapped children and military personnel at England Air Force Base near Alexandria, Louisiana.

What is the status of this project?

Is there any planned construction not yet funded?

If yes, please provide full details along with an estimate of how much could be used in FY 1984 to complete the planned recreation facility.

15. The pine beetle has caused extensive problems throughout southern forests and to forests in Louisiana in particular. What is the budget for research to control this pest in FY 1984? How does this compare, in dollars and man-hours, to prior years (1983 and 1982)?

16. The budget for cooperative forestry programs is recommended for significant reductions in FY 1984. Please provide a complete list of where these reductions will be made.

17. General grants to states for fire protection are not recommended for funding this year. Please provide a list, on a state-by-state basis, for the last three years of how much of forest fire protection programs has been derived from these Federal grants and how much from other sources.

18. What are the fee increases expected to be on national forests in FY 1984? List by forest and by activity the fee last year and expected fee in FY 1984.

Answers to Questions
Relating to the
February 3, 1983 Hearing
on the Department of Agriculture

Committee on Energy and Natural Resources
February 17, 1983

ADDITIONAL COMMITTEE QUESTIONS

(MAJORITY MEMBERS)

Status of National Forest System Timber Sale Contracts

1. Question: Mr. Secretary, could you provide us with the status of timber sale contracts on the National Forest System?

Answer: Preliminary estimates as of December 31, 1982, show 36.1 billion board feet under contract at a value of $6.5 billion. Of this total, 18.1 billion board feet are in Region 6 (Oregon and Washington) with a value of $4.5 billion, and 6.6 billion board feet in Region 5 (California) with a value of $1.4 billion. Region 1 (Montana and northern Idaho) has 3.6 billion board feet under contract at a value of $252 million.

Over 1,500 extensions have been granted under waivers issued in 1980 and 1981. Approximately 900 sales in Region 1, 5, and 6 which expire by March 31, 1983, are eligible for extension to the end of CY 1983, if not completed by their present expiration date.

Bid rates on sales during 1982 have been significantly lower than in previous years as a result of the poor lumber markets and new timber sales procedures introduced in April 1982. In the Douglas-fir subregion of Region 6, average bid rates neared $400 per thousand board feet (Mbf) in 1980 and early 1981. In late 1981, the bid rates dropped to $200 per Mbf. By the beginning of 1982, the bid rates averaged $125 per Mbf, and by mid-summer had hit a low of $75 per Mbf. The average has now returned to about $100 per Mbf. These lower bid rates on over 4 billion board feet of timber sold since late 1981, have enabled purchasers to average down the price of their total volume under contract so that a greater portion becomes economically marketable. Similar reduction in bid rates has occurred in Region 5. In other Regions, the pre-1981 bid rates were not as extreme, so the total reduction in bid values in 1981 and 1982 were not as significant.

The demand for lumber was so depressed in 1982 that the availability of lower price stumpage was ineffective in reducing the volume under contract. Harvest levels for National Forests in FY 1982 totaled only 6.7 billion board feet. During the same period 10.0 billion board feet were sold. Although this created a net gain in volume under contract, maintaining the sale level near normal should effect an increase in harvest levels in FY 1983. The volume sold in FY 1982 averaged only $61 per Mbf, while the volume sold in FY 1980 and 1981 averaged $173 and $154 per Mbf respectively. Constraining the sell level to reduce the volume under contract would only create artificial shortage in supply which would drive the bid price up.

Defaults

2. Question: How many contracts are in default? How many are near default? Where are they located? How many board feet are involved? What is the dollar value?

Answer: Timber sale contract defaults resulting from the economic situation have been relatively few. Approximately 25 sawtimber sales of significance have defaulted; however, the 1980 and 1981 extension waivers have avoided or postponed many defaults to date. Over 1,500 extensions have been made. The November 1982 extension waiver will provide relief for most contracts expiring in March 1983, that are not eligible for the 1981 waiver. These sales will only be extended to December 31, 1983.

Approximately 800 sales will expire in March 1984, that are not eligible for extension at this time. These sales, plus the 900 expiring December 31, make a total of about 1,700 sales expiring in the next year without further relief.

These sales involve about 2.3 billion board feet and over $300 million in value. Not all of these sales will expire in default. Approximately 75 percent of this volume is in Region 6; 20 percent in Region 5; 5 percent in Region 1, with other Regions having very minor volume.

Our analysis of volume under contract is not complete at this time. This analysis will provide a more reliable basis for assumptions about the level of defaults. Subjective estimates at this time are that about one-third of the volume expiring between now and April 1984, not eligible for further extension, will be defaulted. Defaults will result from required extension deposits not being made in 1983, or from volume not being removed by expiration date. Based on this subjective estimate, about 600 sales involving approximately 800 million board feet will be defaulted in the next 12 months. Since the higher value sales will be the ones to default, the stumpage value involved could be over $150 million. Defaults will be concentrated on high bid rate sales in Region 6, and to a lesser extent in Region 5.

Sale of Forest Service Lands

3. Question: Forest Service budget target for receipts from sale of Forest Service lands is $200,000,000. Assuming legislation is changed, what are the per acre cost assumptions? How many acres proposed in this assumption?

Answer: Per-acre cost assumptions = $875 per acre
Acres proposed in the assumption = 240,000 acres

These figures are our best estimates at this time. More accurate estimates will be obtained at the completion of our inventory process, passage of sale legislation, and more detailed review of the lands identified for further study.

(MINORITY MEMBERS)

RARE II

4. Question: Before you announced your decision on RARE II this week, how likely was it that all timber sales planned for roadless areas in FY 1984 would be challenged in court?

Answer: We would have expected to have a number of our planned timber sales for FY 1984 challenged, primarily through the administrative appeals process. It is difficult to speculate on the exact number of sales that may have been subject to challenge. It is safe to assume that a large number of the challenges would occur in Oregon and Washington.

Question: Do you feel that your decision on how to handle the 9th Circuit Court's decision has in any way increased the likelihood of such challenges?

Answer: Yes. It is possible that with knowledge of our action, a few additional individuals may challenge our ongoing activities.

Question: Isn't your decision in this regard, i.e., to evaluate the wilderness potential of roadless areas at the same time you are permitting non-wilderness activities in those areas, similar to the one made by the Forest Service back in the early 70's that resulted in the so-called Parker decision and ultimately to RARE I and II?

Answer: The so-called Parker decision should be separated from RARE I and II because it was specific to an area adjacent to a Primitive Area in Colorado. The decision was based on a specific provision of the Wilderness Act of 1964. You are correct however in regard to RARE I and II. These activities were in part carried out because of controversy over activities being planned and carried out in roadless areas.

Question: You indicate in your statement on page 2 that planned management activities in the roadless areas will continue unless challenged on a case-by-case basis. Isn't it more likely that these actions will be challenged generically in a nationwide lawsuit?

Answer: We do not think so. There is substantial support for our decision to continue planned activities. As long as the opportunity to challenge is available, we believe it will be used in a case-by-case basis.

Question: Will the Administration be transmitting nationwide sufficiency/release language to the Congress in the near future?

Answer: The Administration strongly supports nationwide sufficiency/release language and would welcome any opportunity to work with Congressional Committees on development of such language.

Estimates of Receipts

5. Question: What was the Forest Service's estimate of receipts in the previous two budget proposals and what was the total amount of receipts actually collected?

Answer: The following table depicts the initial estimate at the time of the budget proposal as well as revised estimates made due to economic changes from the time of initial proposal to the beginning of the fiscal year.

	Initial Estimates	Revised Estimates	Actual
1981	$ 1,322,522	$ 1,118,200	$ 1,091,787
1982	1,611,500	1,502,927	721,130
1983	2,059,688	1,012,300	N/A

Question: Please provide similar information for the estimates of timber harvest levels in the previous two budgets and the amount of timber actually cut?

Answer: Refer to the following table.

	1981	1982	1983
	(billion board feet)		
Planned harvest (Initial Proposal)	11.4	11.7	10.6
Revised harvest estimates	10.5	8.5	9.2
Actual harvest	8.0	6.7	N/A

Asset Management Program

6. Question: Are your estimates of land sales in this budget request different from last year's estimates? Please explain the apparent significant lowering of these estimates from last year to this.

Answer: Yes. The estimate of land sales in this budget request is significantly lower than last year's estimate. The main reason for this is that we have had more time to review the proposal and our estimates are more refined.

Question: Why has it taken the Department so long to draft and propose legislation in this regard? If "in depth review" and possible disposal will not be undertaken until after this legislation is enacted, what is so difficult about generating a legislative proposal?

Answer: We planned to have legislation introduced shortly after the start of the 98th Congress. Draft legislation is being prepared now and will be presented soon.

Question: Of the 60,000 acres so far identified and eligible for sale, how much is now subject to the provisions of the 1983 Interior Appropriations Act relating to land disposal?

Answer: Although there are existing laws to handle the disposal of the 60,000 acres, the 1983 Appropriations Act is the funding source and the provisions of this Act will also be followed for these acres.

Question: Do you support the public and congressional involvement provisions of that amendment?

Answer: Yes, we support the public and congressional involvement provision of this amendment. We have always made an effort to keep the public and Congress informed of our plans.

State and Private Forestry

7. Question: The FY 1984 Forest Service budget recommends a 60 percent reduction in state and private forestry programs. That account was cut over 20 percent last year. Is it the intention of the Administration to eventually eliminate all state and private forestry programs?

Answer: No. However, a significant reorientation of the entire State and Private Forestry program is being proposed for 1984. Direct financial assistance to States through grants and cost-sharing will not be provided except for planning assistance and the purchase of data of a national concern. A major goal is to reduce Federal involvement in activities that are more properly administered by State and local governments. States are generally in a better position to assess their priorities in this area and to determine the amount of resources to be allocated. The Federal Government will limit its activities to a more narrow but better defined role. In FY 1984, technical assistance on specific matters of national importance will be provided.

Fees

8. Question: You estimate that $51 million in receipts are expected in FY 1984 from recreation admission and user fees. How does this figure break out between the two categories? Will you need additional legislative authority to collect this level of receipts? Into what account are these receipts currently credited?

Answer: The FY 1984 estimate of $51 million in recreation fees is broken out as follows:

Recreation Special Uses - $15 million
Admission and User Fees - $36 million

New authority is needed to collect $25 million of the estimated total admission and user fees.

Recreation Special Use receipts are deposited in the National Forest Fund (NFF). Admission and User Fees go into the Land And Water

Conservation Fund (L&WCF).

9. Question: In 1982, Forest Service road construction costs averaged $161,150 per mile while timber purchaser road construction averaged $27,300 per mile. What is the reason for this disparity?

Answer: The Purchaser Credit Program (PCP) is available for road construction costs only. Consequently, all support costs for both the Purchaser Credit Program and the Forest Service Road Program (FRP) must come from the Forest Road Program allocation. These support items include:

1. All transportation planning costs.
2. Augmentation costs of purchaser built roads.
3. Survey, design, and construction inspection costs of both the PCP and FRP.

When all the above costs (58 percent) are deducted from the FRP funds, the average cost of road construction is $68,000 per mile.

The $68,000 per mile figure can now be compared directly to the $27,300 per mile figure for the PCP. Under provisions of PL 88-657, the PCP funds can only be used to build roads to the standard necessary for removal of timber on the sale in which the road is constructed. These roads traditionally are single lane, low speed collector and local roads, thus the low cost.

The arterial roads which serve large areas of National Forest System land are constructed to accommodate mixed traffic (i.e., log trucks, recreation users, etc.) and are constructed from the FRP. These roads may be double lane with permanent surfacing and designed for efficiency of haul costs for recurrent use and extended seasonal access. Consequently, the unit cost are much higher than the PCP costs.

Question: Purchaser road costs in the Tongass National Forest in Alaska averaged $139,500 per mile in FY 1982 and 1983. However the projection for FY 1984 is that these costs will jump to $240,900 per mile. Why this tremendous increase in one year? Can we expect these costs to remain at this higher level in the out years?

Answer: The data concerning purchaser construction contained on page 263 is in terms of budget authority and does not include carryover funds. In Fiscal Year 1982, Region 10 actually obligated $35,572,000 of Purchaser Credit funds on the Tongass National Forest and constructed 195 miles of road. The average cost for this is $182,000 per mile.

In Fiscal years 1983 and 1984 unit costs are expected to be $175-185,000 per mile. Timber purchaser construction is a no-year and off-budget account. Funds requested and obligated in one year may not actually be used to construct miles of road in the same year. This accounts for the apparent high unit costs in 1984. Some of the $52,770,000 shown for purchaser construction in 1984 will be used to construct roads in the outyears.

There is also a substantial amount of funds in 1984 for the construction of two log transfer sites to move logs from trucks to barges. There were no log transfer sites constructed from Purchaser Credit in 1982 and none are planned for construction in 1983.

Construction costs in the Alaska Region have always been much more expensive than in other locations in the Forest Service. The areas where construction are taking place in Alaska are extremely remote, the terrain is very rugged, and the roads require a thick "shot rock" base to support the heavy loads on the wet ground.

The Tongass Forest is unique in the National Forest System in having a large percentage of its timber outputs and road needs derived from long-term sales. Under provisions of these sales, obligation of purchaser credits are made every 5 years when operating plans are agreed to by the Forest Service. This placing of 5-year planning can cause the total purchaser credit needs to be high or low in a particular year. However, the cost per mile is not affected.

We can expect costs in the Alaska area to continue to rise slightly in the out years, but we do not expect them to rise at the projected inflation rates because we have initiated measures to cut back on construction costs.

QUESTIONS SUBMITTED BY SENATOR J. BENNETT JOHNSTON

10. Question: In FY 1982 and again in FY 1983, both the House and Senate determined that at least a minimal land acquisition program should be continued by the Forest Service and appropriated in FY 1982 to USFS from the Land and Water Conservation Fund $26,261,760 and in FY 1983 $56,877,000 for land acquisition.

Please submit, for the record, a chart showing the following by project, for every authorized project:

a) existing authorized ceiling - authorized appropriations and acreage.

Answer: We were unable to prepare a single chart. See the following Authorized Areas and Appropriations through FY 1983 Chart. Acreage figures are in the following Tables I and II of the Five-Year Acquisition Plan.

b) acreage acquired to date and funds expended for that purpose.

Answer: See the following for National Recreation Areas, Wilderness, Wild and Scenic Rivers, Appalachian Trail, Tahoe Basin, etc.

c) total acreage remaining to be purchased and estimated cost of acquisition.

Answer: See Tables I and II of the Five-Year Acquisition Plan and attachments listed in (a) above.

d) of the total appropriation, how much has been expended and how much has been obligated?

Answer: See L&WCF as of 2/2/83 Table which shows unobligated balances by project area.

e) if any funds are unobligated, indicate from what year there is a balance and the reason why.

Answer: L&WCF funds are available from previous years and FY 1983 appropriations. In our accounting system, carryover funds automatically assume the current year's accounting symbol. Therefore, individual balances by project areas for the years that the L&WCF has been in existence are not available. The table listed above in (d) will show the balances available by project area.

f) whether there are any outstanding court awards likely to come due in FY 1983 that are uncovered or in FY 1984's budget request.

Answer: There is one deficiency in the Oregon Dunes NRA anticipated in FY 1983 that is unfunded and is estimated at $1,023,800. The following table shows the status of condemnation actions by project area.

g) whether there are any options held by Federal or nonprofit entities on any unacquired acreage which will expire in FY 1984 and if so, provide full details and cost estimates.

Answer: None at the present time.

h) level of development threat present.

Answer: The potential of adverse development is present on many projects. However, due to the present economic situation, the threat of development in many areas is less than it was a year ago.

i) whether preservation of the habitat of any endangered or threatened species is involved.

Answer: The only endangered or threatened species involved are the California and Kirtland Warbler habitat acquistion program.

10 a)

AUTHORIZED AREAS AND APPROPRIATIONS
THROUGH FY 1983

Project Area	Authorized Ceiling	Appropriated Thru FY 1983
Appalachachian Trail	$	$ 6,472,000
Arapaho NRA	5,000,000	----
Boundary Waters Canoe Area	----	11,400,000
Cascade Head SRA	----	4,743,000
Chattooga W&SR	5,200,000	2,000,000
Eleven Point W&SR	10,407,000	6,346,500
Endangered Species	----	330,000
Flathead W&SR	6,719,000	6,719,000
M.F. Clearwater W&SR	3,409,800	3,409,800
M.F. Feather W&SR	3,935,700	3,935,700
M.F. Salmon W&SR	1,837,000	2,125,000
Mt. Rogers NRA	----	17,868,000
N.F. American W&SR	850,000	----
Other Wilderness	----	18,061,000
Rogue W&SR	5,150,850	4,647,900
Sawtooth NRA	47,802,000	40,528,000
Spruce Knob-Seneca Rocks NRA	----	10,913,000
Whiskeytown-Shasta-Trinity NRA	7,709,297	7,169,000
Wildlife Habitat Management	----	280,320
Composites	----	272,145,200
Deficiencies	----	17,722,000
Inholdings	----	28,288,000
Deficiencies & Inholdings	----	480,000
Inholdings & Composites	----	1,742,000
Other High Priority W&SR	----	480,000
Hells Canyon NRA	10,000,000	10,000,000
Oregon Dunes NRA	5,250,000	4,475,000
Other High Priority NRA	----	480,000
Lake Tahoe Basin	----	69,900,000
Lake Tahoe Basin (PL 96-586)	30,000,000	16,720,000
Alpine Lakes	57,000,000	41,246,000
Eastern Wilderness	5,000,000	707,474
California Condor Habitat	----	312,000
Kirtland Warbler Habitat	----	76,800
Three Sisters Wilderness	----	2,000,000
Huron-Manistee (Ausable)	----	2,000,000
Acquisition Management	----	7,829,440
TOTALS	$205,270,647	$623,615,134

020983

TABLE I
FOREST SERVICE
LAND AND WATER CONSERVATION FUND
FIVE-YEAR ACQUISITION PLAN
$000
(ACRES)
AUTHORIZED AREAS

Management Area	Program 1 Thru FY 1981	1982 Program	Remaining Investment Required	1983 Program	Remaining Investment Required	1984 RPA Program	Remaining Investment Required	1985 RPA Program	Remaining Investment Required	1986 RPA Program	Remaining Investment Required	1987 RPA Program	Remaining Investment Required
WILDERNESS													
Alpine Lakes *	14,800 (9,860)	-0-	36,700 (27,394)	-0-	36,700 (27,394)	15,203 (12,590)	21,497 (14,804)	7,000 (4,828)	14,497 (9,976)	7,497 (5,170)	7,000 (4,806)	7,000 (4,806)	-0-
BWCA	6,000 730	2,400 (167)	20,188 (22,978)	-0-	20,188 (22,978)	5,000 (250)	15,188 (22,728)	8,875 (453)	6,313 (22,275)	6,313 (22,275)	-0-		
Other	18,580 (20,731)	-0-	94,595 (94,595)	-0-	94,595 (94,595)	4,595 (4,595)	90,000 (90,000)	5,000 (5,000)	85,000 (85,000)	5,000 (5,000)	80,000 (80,000)	10,000 (10,000)	70,000 (70,000)
DEFICIENCIES	17,000	480	5,250	3,563	1,687	1,687							
LAKE TAHOE	68,800 (29,322)	-0-	43,535 (23,351)	-0-	43,535 (23,351)	2,535 (1,241)	41,000 (22,110)	6,700 (4,130	34,300 (17,980)	8,000 (4,900)	26,300 (13,080)	8,000 (4,900)	18,300 (8,180)
LAKE TAHOE (P.L. 96-586)	-0-	6,720 (875)	117,880 (25,733)	-0-	117,880 (25,733)	10,000 (2,183)	107,880 (23,550)	7,880 (1,720)	100,000 (21,830)	20,000 (4,386)	80,000 (17,444)	20,000 (4,386)	60,000 (13,058)
ACQUISITION MANAGEMENT	-0-	3,829	-0-	4,000	-0-								
TOTALS		26,261 (10,560)	1,772,330 (1,674,673)	7,563	1,768,767 (1,674,673)	146,468 (159,207)	1,622,299 (1,515,466)	139,505 (157,122)	1,482,794 (1,358,344)	260,375 (285,389)	1,222,419 (1,072,955)	263,478 (286,480)	958,941 (785,975)

*Eligible for funding from the Special Account authorized by P.L. 95-42.

***Additional authorization needed shown on Table II.

TABLE I
FOREST SERVICE
LAND AND WATER CONSERVATION FUND
FIVE-YEAR ACQUISITION PLAN
$000
(ACRES)
AUTHORIZED AREAS

Management Area	Program 1 Thru FY 1981	1982 Program	Remaining Investment Required	1983 Program	Remaining Investment Required	1984 RPA Program	Remaining Investment Required	1985 RPA Program	Remaining Investment Required	1986 RPA Program	Remaining Investment Required	1987 RPA Program	Remaining Investment Required
Rogue*	4,848 (3,297)	-0-	303 (150)	303 (150)	303 (150)	303 (150)	See Table II						
Skagit	-0-	-0-	11,734 (5,078)	-0-	11,734 (5,078)	450 (228)	11,284 (4,850)	2,284 (1,050)	9,000 (3,800)	3,000 (1,300)	6,000 (2,500)	3,000 (1,250)	3,000 (1,250)
Chattoga*	2,000 (2,156)	-0-	120 (891)	-0-	1,120 (891)	700 (557)	420 (334)	420 (334)					
Pere Marquette	-0-	-0-	8,125 (9,500)	-0-	8,125 (9,500)	597 (670)	7,528 (8,830)	1,528 (1,930)	6,000 (6,900)	2,000 (2,300)	4,000 (4,600)	4,000 (4,600)	-0-
Salmon	-0-	-0-	6,200 (1,352)	-0-	6,200 (1,352)	3,100 (676)	3,100 (676)	3,100 (676)	-0-				
St Joe	-0-	-0-	1,000	-0-	1,000	-0-	1,000	-0-	1,000	-0-	1,000	-0-	1,000
1/ High Priority W&SR Cases	-0-	480 (280)	-0-										
NATIONAL TRAILS													
Appalachian	7,268 (100mi)	2,112 (10mi)	1,355 (5.8mi)	-0-	1,355 (5.8mi)	1,355 (5.8mi)	-0-						
Pacific Crest	13 (67mi)	-0-	***See Table II										
NATIONAL FOREST COMPOSITES	269,567 (1,144,260)	2,275 (2,350)	1,337,825 (1,356,245)	-0-	1,337,825 (1,356,245)	82,127 (116,104)	1,255,698 (1,240,141)	80,879 (119,647)	1,174,819 (1,120,467)	198,865 (226,138)	975,954 (894,329)	201,178 (244,768)	774,776 (649,561)

1/ These funds will be alloted to specific W&SRs when obligated for specific cases.

3/30/82

TABLE I
FOREST SERVICE
LAND AND WATER CONSERVATION FUND
FIVE-YEAR ACQUISITION PLAN
$000
(ACRES)
AUTHORIZED AREAS

Management Area	Program 1 Thru FY 1981	1982 Program	Remaining Investment Required	1983 Program	Remaining Investment Required	1984 RPA Program	Remaining Investment Required	1985 RPA Program	Remaining Investment Required	1986 RPA Program	Remaining Investment Required	1987 RPA Program	Remaining Investment Required
ENDANGERED SPECIES	330 (827)	389 (520)	9,281 (10,853)	-0-	9,281 (10,853)	405 (520)	8,876 (10,333)	595 (780)	8,281 (9,553)	700 (900)	7,581 (8,653)	1,300 (1,600)	6,281 (7,053)
WILDLIFE HABITAT MANAGEMENT	-0-	280 (777)	19,720 (29,223)	-0-	19,720 (29,223)	2,720 (4,029)	17,000 (25,194)	2,000 (2,900)	15,000 (22,294)	3,000 (4,300)	12,000 (17,994)	3,000 (4,300)	9,000 (13,694)
NATIONAL WILD & SCENIC RIVERS													
Feather	3,536 (3,950)	-0-	***	See Table II									
Middle Fork Clearwater*	3,810 (4,480)	-0-	***	See Table II									
Flathead	6,719 (3,266)	-0-	***	See Table II									
Middle Fork Salmon*	1,337 (115)	288 (150)	***	See Table II									
North Fork American	-0-	-0-	850 (243)	-0-	850 (243)	850 (243)							
Eleven Point*	4,907 (6,999)	1,440 (1,484)	1,050 (1,000)	-0-	1,050 (1,000)	1,050 (1,000)							

10 a), c)

TABLE I
FOREST SERVICE
LAND AND WATER CONSERVATION FUND
FIVE-YEAR ACQUISITION PLAN
$000
(ACRES)
AUTHORIZED AREAS

Management Area	Program 1 Thru FY 1981	1982 Program	Remaining Investment Required	1983 Program	Remaining Investment Required	1984 RPA Program	Remaining Investment Required	1985 RPA Program	Remaining Investment Required	1986 RPA Program	Remaining Investment Required	1987 RPA Program	Remaining Investment Required
NATIONAL RECREATION AREAS													
Arapaho	-0-	-0-	5,000 (1.752)	-0-	5,000 (1,752)	2,000 (701)	3,000 (1,051)	3,000 (1,051)	See Table II	--			
Flaming Gorge*	1,946 (1,256)	-0-	8,500 (8,747)	-0-	8,500 (8,747)	-0-	8,500 (8,747)	-0-	8,500 (8,747)	-0-	8,500 (8,747)	-0-	8,500 (8,747)
Hells Canyon*	6,123 (6,582)	-0-	3,877 (4,167)	-0-	3,877 (4,167)	-0-	3,877 (4,167)	-0-	3,877 (4,167)		3,877 (4,167)	-0-	3,877 (4,167)
Mt. Rogers	17,668 (27,839)	-0- -0-	12,043 (12,240)	-0- -0-	12,043 (12,240)	3,043 (3,000)	9,000 (9,240)	3,000 (3,100)	6,000 (6,140)	3,000 (3,070)	3,000 (3,070)	3,000 (3,070)	-0-
Sawtooth *	36,124 (17,150)	3,840 (1,340)	7,838 (7,126)	-0- -0-	7,838 (7,126)	3,838 (3,490)	4,000 (3,636)	4,000 (3,636)	See Table II				
Spruce Knob- Seneca Rocks	9,522 (9,910)	1,248 (1,167)	14,907 (28,075)	-0- -0-	14,907 (28,075)	1,800 (3,400)	13,107 (24,675)	2,900 (5,460)	10,207 (19,215)	3,000 (5,650)	7,207 (13,565)	3,000 (3,300)	4,207 (10,265)
Oregon Dunes	4,475 (3,225)	-0-	1,275 (1,681)		1,275 (1,681)	1,275 (1,681)							
Whiskeytown- Shasta-Trinity*	7,169 (18,410)	-0-	544 (500)	-0- -0-	544 (500)	200 (100)	344 (400)	344 (400)	-0-				
1/High Priority NRA (480) Case	-0-	480 (480)	-0-										
CASCADE HEAD SRA	6,501 (976)	-0- -0-	1,635 (1,799)	-0- -0-	1,635 (1,799)	1,635 (1,799)	-0-						

1/ These funds will be alloted to specific NRA's when obligated for specific cases.

3/31/82

TABLE II
FOREST SERVICE
LAND AND WATER CONSERVATION FUND
FIVE-YEAR ACQUISITION PLAN
$000
(ACRES)
POSSIBLE NEW AREAS

Management Area	Program 1 Thru FY 1981	1982 Program	Remaining Investment Required	1983 Program	Remaining Investment Required	1984 RPA Program	Remaining Investment Required	1985 RPA Program	Remaining Investment Required	1986 RPA Program	Remaining Investment Required	1987 RPA Program	Remaining Investment Required
NATIONAL RECREATION AREAS													
Arapaho							7,100 (2,488)	4,100 (1,437)	3,000 (1,051)	3,000 (1,051)	-0-		
Sawtooth									7,322 (4,770)	4,000 (2,600)	3,322 (2,170)	3,322 (2,170)	-0-
NATIONAL TRAILS													
Pacific Crest			500 (1,000)	-0-	500 (1,000)	500 (1,000)	-0-						
NATIONAL WILD & SCENIC RIVERS													
Middle Fork Clearwater			500 (685)	-0-	500 (685)	500 (685)							
Middle Fork Salmon *			5,212 (686)	-0-	5,212 (686)	3,212 (423)	2,000 (263)	2,000 (263)	-0-				
Feather *			1,900 (1,160)	-0-	1,900 (1,160)	250 (240)	1,650 (920)	825 (460)	825 (460)	825 (460)	-0-		
Flathead *			16,000 (7,948)	-0-	16,000 (7,948)	1,000 (400)	15,000 (7,548)	5,000 (2,688)	10,000 (4,860)	3,000 (1,500)	7,000 (3,360)	3,500 (1,850)	3,500 (1,510)
INHOLDINGS	28,288 (44,400)	-0-	250,000 (285,300)	-0-	250,000 (285,300)	2,000 (3,000)	248,000 (282,300)	2,000 (2,300)	246,000 (280,000)	3,000 (3,400)	243,000 (276,600)	3,000 (3,400)	240,000 (273,200)
COMPOSITES NOT YET APPROVED		-0-	264,700 (210,000)	-0-	264,700 (210,000)	-0-	264,700 (210,000)	-0-	264,700 (210,000)	-0-	264,700 (210,000)	-0-	264,700 (210,000)
TOTALS	28,288 (44,400)	-0-	538,812 (506,779)	-0-	538,812 (506,779)	7,462 (5,748)	538,450 (503,519)	13,925 (7,148)	531,847 (501,141)	13,825 (9,011)	518,022 (492,130)	9,822 (7,420)	508,200 (484,710)

National Recreation Areas - Forest Service

As of January 31, 1982

1. Mt. Rogers National Recreation Area - Virginia (5/31/66)

Total area (acres):		154,000
U.S.	83,661	
Private	70,339	
Private desirable for acquisition	37,957	
Private purchases, accepted options, and optioned	25,717	(68% completed)

(7,093 acres through condemnation)

Total acquisition needed - 12,240 acres - cost $12,043,000

2. Whiskeytown-Shasta-Trinity - California (11/8/65)

Total area (acres):		213,400
U.S.	170,065	
Private	43,335	
Private desirable for acquisition	19,767	
Private purchases, accepted options, and optioned	18,806	(15% completed)

Estimated funds needed - $550,000

3. Spruce Knob-Seneca Rocks - West Virginia (9/28/65)

Total area (acres):			100,000
U.S.		39,672	
Private		60,328	
Private desirable for acquisition			
Fee	28,606)		
Less than fee (scenic)	16,722	45,328	
Private purchases, accepted options and optioned	14,952		
Declarations of Taking Filed	2,301)	17,253	(38% completed)

It is difficult to determine the value of the land remaining to be acquired (28,075 acres). Many changes have occurred since the NRA Plan was approved, so the lands yet to be acquired may not be realistic. Currently, the NRA is being included in the Forest Management planning effort required by NFMA & RPA, and will ultimately determine needed land adjustments.

2/18/82

4. Flaming Gorge - Utah & Wyoming (10/1/68)

Total area (acres):		201,114
U.S.	189,825	
Private	11,289	
Private desirable for acquisition		
Utah	1,345)	
Wyoming	8,658)	10,003
Private Purchased		
Utah	496)	
Wyoming	760)	1,256 (13% completed)

State of Utah does not want us to continue program in Utah.

Estimated cost to complete $8,000,000. However, we have no willing sellers as of October 7, 1980.

5. Sawtooth - Idaho (8/22/72)

Total ara (acres):		754,999
U.S.	728,420	
Private	26,579	
Private desirable for acquisition		
Fee	5,000	
Less than Fee	20,000	
*Private - purchases, accepted options	15,127	(61% completed)
*Acres in fee 1,440		
Acres in Scenic Easements - 13,687		

Estimated cost to complete 19,000,000

3.

6. Oregon Dunes National Recreation Area - Oregon (3/23/72)

Total area (acres): 32,363

Ownership	Inland Sector	Dunes Sector	Total
Federal	2,427	21,709	24,316
Other Public	184	105	289
Private	6,705	1,233	7,938
	9,316	23,047	32,363
Private - desirable for acquisition	3,673	1,233	4,906
Private - acquired through purchase, exchange, option and Declaration of Taking	1,992	1,233	3,225
Percent completion	54%	100%	66%

Authorization limitation: $5,750,000

Allocated to date	$4,475,000
Obligated 01/31/82	3,218,000
Balance	$1,256,957

2/18/82

7. Hells Canyon National Recreation Area - Idaho & Oregon (12/31/75)

Total area (acres):		662,000
Federal at project origin	619,082	
Private at project origin	42,918	
Private desirable for acquisition	10.656	
Private acquired through purchase, option, and exchange	5,010	
		(47% completed)

Authorization limitation:	$10,000,000
Allocated to date	6,122,790
Obligated 1/31/82	4,704,150
Balance	1,418,640

Present appropriations adequate to meet acquisition needs.

8. Arapaho National Recreation Area - Colorado (10/11/78)

Total area (acres):		35,697
U.S.	31,456	
Private	4,241	
Private desirable for fee acquisition	711	
Private desirable for scenic easement acquisition	3,530	
Private purchased	-0-	
Private accepted options	-0-	
Private optioned	641	

We estimate that a total of $12,100,000 will be necessary for completion of this program if acquisition can be pursued in a timely manner. If we continue to experience delays, we would anticipate funding needs to increase.

5.

9. Cascade Head Scenic Research Area - Oregon (12/22/74)

Total area (acres):		9,670
U.S.	4,059	
Private	5,045	
Other public	566	
Private desirable for acquisition	2,775	
Private purchased, accepted options, and optioned	1,166	
		(42% completed)

Authorization limitation: None specified

Allocated to date	$ 6,501,000
Obligated 01/31/82	6,500,200
Balance	$ 800

Total anticipated for program completion is $1,800,000 based on annual land value increment.

NATIONAL RECREATION AREAS (FOREST SERVICE)

NRA	Appropriation Ceiling Authorized		Appropriated Through FY 1982	Appropriation [redacted] FY 1983	Additional Authorization Needed 5/
Sawtooth Idaho	$47,802,000		$39,964,000	4,700,000	$ 7,322,000
Oregon Dunes Oregon	5,750,000	1/	4,475,000	-0-	-0-
Flaming Gorge Utah, Wyoming	No limit	2/	1,946,000	-0-	-0-
Whiskeytown-Shasta-Trinity California	8,444,500		7,168,950	-0-	-0-
Hells Canyon Idaho, Oregon	10,000,000	3/	6,122,790	-0-	-0-
Mount Rogers Virginia	No limit		17,668,000	200,000	-0-
Spruce Knob-Seneca Rocks West Virginia	No limit		10,770,000	-0-	-0-
*Cascade Head Scenic Research Area - Oregon	No limit	4/	6,501,000	~~-0-~~ 707,000	-0-
Arapaho Colorado	5,000,000		-0-	-0-	7,100,000

1/ $1,025,000 appropriated for Oregon Dunes was removed by reprograming.
2/ 1,630,000 appropriated for Flaming Gorge was removed by reprograming.
3/ 3,877,210 appropriated for Hells Canyon was removed by reprograming.
4/ 1,465,000 was added to Cascade Head Scenic Research area by reprograming.
5/ Based total estimated needs to complete area.
*Scenic Research Area.

2/15/82

10 b)

Acquisition Needs - Wilderness and Primitive Areas

Areas as of 9/30/81

A. Wilderness Areas (158 Areas)

Total Area	N. F. Lands	Other Lands
25,435,217	25,061,745	373,472

B. Primitive Areas (9 Areas)

Total Area	N. F. Lands	Other
979,012	950,834	28,178

Accomplishments thru 9/30/81

23,561

Newly established wilderness area not included as the acreage figures are still being determined by the Regional Staff.

2/15/82

WILDERNESS AREAS (FOREST SERVICE)

Wilderness	Appropriation Ceiling Authorized	Appropriated Through FY 1982	Appropriation ~~Request~~ FY 1983	Additional Authorization Needed
BWCAW	No Ceiling	$ 8,400,000	3,000,000 ~~-0-~~	N/A
Alpine Lakes	$57,500,000	14,800,000	26,446,000	-0-
Rattlesnake	No Ceiling	-0-	-0-	N/A
Eastern	5,000,000	770,474	-0-	-0-
Other	No Ceiling	18,061,000	-0-	N/A

10 b)

National Wild and Scenic Rivers - Forest Service (10/2/68)

As of January 31, 1982

1. Middle Fork Clearwater - Clearwater, Nezperce & Bitterroot NF's - Idaho

Total area (acres:		56,597
U.S. (Forest Service)	50,027	
Indian tribal lands (held in trust by U.S.)	515	
State	175	
Private	5,880	
Private desirable for acquisition or control by easements	4,350	
Private - purchases, scenic easements, accepted options and optioned	3,916	(90% completed)
Dollar estimate to complete program		500,000

2. Rogue - Siskiyou NF - Oregon

Total area (acres):		25,999
Land outside National Forest boundary	14,268	
U.S.	8,284	
Private	3,447	
Private desirable for fee acquisition or control by use of scenic easements	3,447	
Private - purchased, exchanged, scenic easements	3,207	(93% completed)

Authorization limitation: $5,150,850

Allocated to date	$4,847,850
Obligated 10/1/80	4,727,050
Balance	$ 120,800

Due to withdrawal of FY 1980 allocation, there is possibility of deficit in eventuality of excess awards in pending trials.

Estimated value of eleven remaining properties is $790,000 as conditioned upon land exchange possibility. Should land exchange fail, needed to complete project becomes $1,300,000.

021882

2.

3. Eleven Point - Mark Twain NF - Missouri

Total area (acres):			14,195
U.S.		3,535	
Private		10,660	
Private - desirable for acquisition			
Fee	3,109)		
Less than Fee (scenic easements)	6,370)	9,479	
Private - purchased, accepted options, and optioned Fee	2,465)		
Scenic Easements	4,534)	6,999	(81% completed)

The last remaining large property is presently being processed for condemnation. (Denning, 644 Acres Fee, 1840 Acres Scenic Easement)

The estimated value for this interest is $1,200,000. Based upon past experiences with larger acquisitions in the Wild and Scenic River, the estimated excess award for the Denning Tract is $300,000. The estimated value for excess awards associated with past taken properties not yet settled is $750,000.

4. Pere Marquette - Manistee NF - Michigan

Total area (acres):			13,054
U.S.		2,193	
Private	9,361)		
Municipal and State Government	1,500)	10,861	
Private - desirable for acquisition Fee	4,000)		
Less than Fee (scenic easements)	5,500)	9,500	

5. Middle Fork of the Salmon - Boise, Challis, Payette, and Salmon NF's - Idaho

Total area (acres):			33,574
U.S.		31,882	
State of Idaho		924	
Private		768	
Private desirable for fee acquisition or scenic easements		768	
Private - Fee purchase	63)		
Scenic easements	19)	82	(11% completed)

Estimated cost to complete - $5,500,000

6. Flathead River - Montana

Total area (acres):		57,400
U.S. (Forest Service)	35,000	
(National Park Service)	11,800	
State	900	
Private	9,700	
Private desirable for fee acquisition or control by scenic easements	9,700	
Private purchases and accepted options	3,266	(34% completed)
Dollar estimate to complete program		$17,000,000

7. Skagit River - Washington

Total area (acres):*		34,650
U.S. (Forest Service)	16,615	
Private	16,605	
Other public	1,430	
Private - desirable for acquisition	5,078	
Private acquired through purchase, exchange, scenic easements, and optioned	-0-	

*Project plan incomplete; entries subject to revision.

Authorization limitation: $11,734,000

8. St. Joe River - Idaho

Total area (acres)		20,857
U.S. (Forest Service)	20,857	

There are several unpatented placer claims that require adjudication by the Forest Service and Bureau of Land Management. The claimants have filed suit in the United States Court of Claims ascertaining that the Wild and Scenic Rivers legislation and administrative delays by the Forest Service have essentially condemned their property (claims) and that they are entitled to compensation. This suit has been placed in abeyance by the court in response to a motion filed by Department of Justice pending administrative adjudication of the claims by Forest Service and Bureau of Land Management.

Our position, based on preliminary investigations, is that the claims are not valid, that no property has been taken, and therefore no compensation is due.

4.

The Forest Service has requested a Decision/Decisions from the Bureau of Land Management.

9. North Fork American River - California

Total area (acres):		12,955
U.S. (Forest Service	5,744	
(BLM)	2,689	
State of California	123	
Private	4,399	
Private desirable for acquisition	4,399	
Purchases - easement, fee, etc.	-0-	(0% completed)

10. Middle Fork of the Feather River - Plumas NF - California

Total area (acres):		21,445
U.S.	13,373	
State of California	500	
Local (county)	30	
Private	7,542	
Private desirable for fee acquisition or scenic easements	7,542	
Private - purchases, scenic easements, accepted options and optioned	4,724	(63% completed)

11. Chattooga River - Georgia, North & South Carolina

Total area (acres):		16,424
U.S.	13,999	
Private	2,425	
Private desirable for fee acquisition or scenic easements	2,425	
Private - purchases, scenic easements, accepted options and optioned	2,472	(94% completed)

	Acres	Cost
Total Acquisition Needed	890	$1,120,000

5.

12. Salmon River

Total Area (acres):		
U.S.		29,916
Private (34 tracts)	28,564	
Desirable for acquisition	1,352	
Fee		
Less than fee	-0-	
Purchases to Date	1,352	
Cost to complete	-0-	
Ceiling in Act		
		6,200,000

021882

NATIONAL WILD & SCENIC RIVERS (FOREST SERVICE)

Rivers	Appropriation Ceiling Authorized	Appropriated Through FY 1982	Appropriation Request FY 1983	Additional Authorization Needed 2/
Middle Fork Feather California	$ 3,935,700	1/ $3,535,700	$ -0-	-0-
Middle Fork Clearwater Idaho	2,909,800	3,809,800	-0-	$ 1,400,000
Middle Fork Salmon Idaho	1,837,000	1,625,000	-0-	5,000,000
Eleven Point Missouri	10,407,000	8,846,000	-0-	-0-
Chattooga Georgia, North & South Carolina	5,200,000	2,000,000	-0-	-0-
Flathead Montana	6,719,000	6,719,000	-0-	17,000,000
Rogue Oregon	5,150,850	4,847,500	-0-	790,000
St. Joe Idaho	1,000,000	-0-	-0-	-0-
Pere Marquette Michigan	8,125,000	-0-	-0-	-0-
North Fork American California	850,000	-0-	-0-	-0-
Skagit Washington	11,734,000	-0-	-0-	-0-
Salmon Idaho	6,200,000	-0-	-0-	-0-

1/ $400,000 appropriated was removed by reprograming
2/ Based on total estimated needs to complete projects

2/18/82

10 b)

RIGHT-OF-WAY SITUATION FOR APPALACHIAN TRAIL WITHIN THE NATIONAL FORESTS

January 31, 1982

"ACCOMPLISHMENT SUMMARY"

Total miles on nonfederal lands at beginning of program (adjusted for approved relocations)		225.7	
Miles acquired through January 31, 1982	(93%)		
Through purchase of whole tracts	140.1		
Through purchase of rights-of-way	69.8	209.9	Cost
Balance	209.9	15.8	$3,467,000

2/18/82

2.

Right-of-Way Situation for Appalachian Trail Within the National Forests-Region-9

Forest	Miles Covered by Planned Acquisitions of Inholdings		Miles of Right-of-Way to be purchased and Chargable Against Limitation	
	Planned	Accomplished	Planned	Accomplished
White Mountain	5.7	5.1	4.0	4.0
Green Mountain	23.6	23.6	13.5	13.4
Totals	29.3	28.7	17.5	17.4

Miles on nonfederal lands (Planned) 46.8

State	Miles Planned for Acquisition	Miles Acquired to 9/30/80
New Hampshire	9.7	9.1
Vermont	37.1	37.0
Totals	46.8	46.1

"Accomplishment Summary"

Total miles on nonfederal lands at beginning of program (adjusted for approved relocations)		46.8
Miles acquired through 1/31/82 (99%)		
Through purchase of whole tracts	28.7 miles	
Through purchase of Rights-of-Way	17.4 miles	
Total	46.1 miles	46.1
Balance (Estimate of costs on balance to be acquired: $30,000		.7

2/18/82

3.

RIGHT-OF-WAY SITUATION FOR APPALACHIAN TRAIL WITHIN REGION 8 NATIONAL FORESTS

As of January 31, 1982

Forest	Miles Covered by Planned Acquisitions of Inholdings		Miles of Right-of-way to be Purchased and Chargeable Against Limitation	
	Planned	Accomplished	Planned	Accomplished
George Washington	0	11.0	1.0	4.3
Jefferson	0	43.6	3.0	10.2
Pisgah	0	16.6	6.9	8.9
Nantahals	0	7.0	3.3	4.4
Cherokee	0	32.5	11.0	24.6
Chattahoochee	0	0.7	0.3	-
Totals	0	111.4	25.5	52.4

Total Trail miles within National Forests	685.5
Miles on National Forest lands	670.4
Miles on nonfederal lands	15.1

"ACCOMPLISHMENT SUMMARY"

Total miles on nonfederal lands at beginning of program (adjusted for approved relocations) 178.9

Miles acquired through 1/31/82 163.8 Cost
(92%
Balance 15.1 $3,437.000

Through purchase of whole tracts 111.4 miles

Through purchase of rights-of-way 52.4 miles

2/18/82

PACIFIC CREST TRAIL

As of January 31, 1982

Acquisition Fund Ceilings

$500,000 to cover all acquisitions within and without areas administered by the Forest Service and BLM.

Private Land Involved		Region 6	Region 5
Within N.F. Boundaries	183 Miles	28	156
Outside N.F. Boundaries	107 Miles	7	100
Within BLM Boundaries	68 Miles	11	57
State Lands	43 Miles	8	35
Total Miles of Trail	2,572 Miles		
Total Miles to be acquired F.S.		43	233
Total acquired to date 9/30/79		33	130
Percent completed		77%	56%

Summary

Miles to be acquired F.S.	276
Miles acquired	164
Percent completed	59%

R-5 Estimate of Funds still needed = $200,000

R-6 Estimate of Funds still needed = $100,000

. 10 b)

021782

LAKE TAHOE BASIN MANAGEMENT UNIT

Gross area		205,250 acres
Total public land		148,353
National Forest land	135,194 acres	
Bureau of Reclamation	64 "	
State of California	5,467 "	
State of Nevada	6,167	
Counties & Municipalities	1,261	
Private lands		56,736
Private lands desired for acquisition		25,471
Desired lands California	14,836 acres	
Desired lands Nevada	10,635 "	

L&WCF Acquisitions by Forest in LTBMU:

California - Eldorado NF

	Acres	Cost
Total acquisition needed	7,655	$14,895,900
L&WCF purchases to 9-30-81	2,673	7,464,400[1]
Balance needed	4,982	7,431,500

California - Tahoe NF

	Acres	Cost
Total acquisitions needed	27,547	$34,237,081
L&WCF purchases to 9-30-81	17,693	19,541,081
	9,854	$14,696,000

Nevada - Toiyabe NF

	Acres	Cost
Total acquisitions needed	29,591*	$61,209,792*
L&WCF purchases to 9-30-81	18,956	39,846,420[2]
Balance needed	10,635	21,363,372

SUMMARY LTBMU

	Acres	Cost
Total acquisition needed	62,673*	$114,202,020*
L&WCF purchases to 9-30-81	29,322	70,667,150[3]
Balance needed	23,351	43,534,870

* Includes 20 acres at $11,500,000 for Jennings Casino site not previously included in these records.

1,2,3 Amounts shown for FY 80 purchases were actual purchase amounts and did not include administrative costs.

Lake Tahoe Basin Funding
Burton-Santini Act (P.L. 96-586)

A plan for the acquisition of environmentally sensitive lands in the Lake Tahoe Basin was released for public comment on August 11, 1981.

The planning document, a Draft Environmental Impact Statement (DEIS), outlines various alternative plans to implement the Burton-Santini Act of 1980. The Act requires the agency to prepare a map which displays environmentally sensitive lands that if developed would have the potential of seriously jeopardizing the environmental quality of the Lake Tahoe Basin.

Based on information developed in the DEIS, the following issues were analyzed:

1) the land to be designated as environmentally sensitive,

2) the amount of environmentally sensitive land to be designated as eligible for acquisition, and

3) the criteria to be used in selecting lands for purchase as funds become available.

Land acquisitions will begin soon after the final plan and Final Environmental Statement is distributed. This will be approximately March 15. The FY 1972 L&WCF appropriation included $7,000,000 for these acquisitions (less 4%).

The preferred alternative identified in the DEIS includes 20,450 acres of environmentally sensitive land eligible for acquisition and 7,610 unimproved dwelling lots. The preferred alternative also emphasizes water quality protection in developing the annual acquisition program.

The estimated cost of the acquisition program ranges from $52 million to $270 million dollars depending upon the alternative selected and the value used for estimating the average price per acre of the property. The sale of Federal land in the vicinity of Las Vegas, Nevada, could provide as much as $185 million to be used to purchase environmntally sensitive lands at the Lake Tahoe Basin. The Congressional Budget Office reports that $14.5 million had accrued from the sales of land between October 1, 1978 and the date the Act was passed, and are available to offset the costs of acquisition. Only $37,000 additional has accrued since passage of the Act. No funds are included for acquisition of sensitive lands in the FY 1983 budget request.

10 d)

L&WCF STATUS
As of 2/2/83

Area	Total Available 12/31/82	Obligations	Balance
National Wild & Scenic Rivers			
Chattooga	$ 332	$ -0-	$ 332
M.F. Flathead	9,706	-0-	9,706
M.F. Salmon	689,949	-0-	689,949
M.F. Clearwater	-0-	-0-	-0-
Eleven Point	1,081,000	-0-	1,081,000
M.F. Feather	-0-	-0-	-0-
Rogue	-0-	-0-	-0-
Other High Priority	342,883	-0-	342,883
Subtotal W&SR's	2,123,870	-0-	2,123,870
National Recreation Areas			
Flaming Gorge	-0-	-0-	-0-
Hells Canyon	1,817,059	-0-	1,817,059
Mt. Rogers	307,645	-0-	307,645
Oregon Dunes	1,232,907	-0-	1,232,907
Sawtooth	4,832,089	-0-	4,832,089
Spruce Knob-Seneca Rocks	5,516	-0-	5,516
Whiskeytown-Shasta-Trinity	39	-0-	-0-
Other High Priority	273,000	-0-	273,000
Subtotal NRA's	8,468,255	-0-	8,468,255
Cascade Head SRA	694,708	-0-	694,708
Lake Tahoe Basin	22,950	-0-	22,950
Lake Tahoe Basin PL 94-586	15,809,610	-0-	15,809,610
National Trails			
Appalachian	1,440,776	208,000	1,232,776
Pacific Crest	142,383	-0-	142,383
Inholdings	2,654,667	-0-	2,654,667
Deficiencies & Inholdings	17,473	-0-	17,473
Deficiencies	722,000	-0-	722,000

Area	Total Available	Obligations	Balance
Wilderness			
Alpine Lakes	$31,599,049	$28,532,080	$ 3,066,969
BWCAW	4,200,560	-0-	4,200,560
Other	-0-	-0-	-0-
River of No Return	-0-	-0-	-0-
Subtotal Wilderness	35,799,609	28,532,080	7,267,529
Composites			
Daniel Boone N.F.	216,320	44,960	171,360
Nicolet N.F.	451,465	-0-	451,465
Other High Priority	469,041	-0-	469,041
Subtotal Composites	1,136,826	44,960	1,091,866
Inholdings & Composites	1,742,000	-0-	1,742,000
Endangered Species	94,573	-0-	94,573
California Condor Habitat	312,000	-0-	312,000
Kirtland Warbler Habitat	62,468	-0-	62,468
Habitat Management			
Alleghney N.F.	84,480	-0-	84,480
Nicolet N.F.	195,840	-0-	195,840
Acquisition Management	4,000,000	-0-	4,000,000
Huron-Manistee (Ausable)	2,000,000	-0-	2,000,000
Three Sisters (Rock Mesa)	2,000,000	-0-	2,000,000
GRAND TOTAL	$79,524,488	$28,785,040	$50,739,448

Document No. 0064E:VBerryman:vb

10 f)

FOREST SERVICE
Land and Water Conservation Fund
Condemnation Status
($ Thousands)

Fiscal Year 1983 Areas with Anticipated Deficiencies	Deficiency Needs in FY 1983	Outstanding Awards As Of 10/1/82	PLAN FOR PAYMENT OF DEFICIENCIES Payment with FY 1982 Carryover Funds and FY 83 Appropriations	Payment from Reprograming	Remarks
M.F. Clearwater W&SR	$ 86	-0-	$ 86	-0-	Project funds are depleted.
Flathead W&SR	65	-0-	65	-0-	Court date not set; therefore, judgment may not be rendered until late 1983 or early 1984.
Sawtooth NRA	576.6	-0-	576.6	-0-	Anticipate cases will go to trial in FY 1983.
Cascade Head SRA	205.0	-0-	205.0	-0-	Trial action delayed from FY 1982.
Oregon Dunes NRA	1,023.8 1/	-0-	1,023.8 1/	-0-	Trial action delayed. USCC No. 557-77 and 100-78.
Appalachian Trail	28.57	-0-	28.57	-0-	U.S. Attorney has two cases unfiled since 10/81. Originally thought deficiencies would occur in FY 1982; now appears they will occur in FY 1983.
Red River Gorge	2.5	-0-	2.5	-0-	Two small tracts valued at $1,400 and $870.

FOREST SERVICE
Land and Water Conservation Fund
Condemnation Status
($ Thousands)

Fiscal Year 1983 Areas with Anticipated Deficiencies	Deficiency Needs in FY 1983	Outstanding Awards As Of 10/1/82	PLAN FOR PAYMENT OF DEFICIENCIES		Remarks
			Payments with FY 1982 Carryover Funds and FY 83 Appropriations	Payment from Reprograming	
Boundary Waters Canoe Area	$ 89.0	-0-	$ 89.0	-0-	One case will probably go to trial in FY 1983; one case will have D/T filed in FY 1983.
TOTAL	2,076.47	-0-	2,076.47	-0-	

1/ Claims, Judgments, and Relief Act appropriation account.

FOREST SERVICE
Land and Water Conservation Fund
Condemnation Status
($ Thousands)

Page 3of 3

Fiscal Year 1984

Areas With Anticipated Deficiencies	Deficiency Needs in FY 1984	(Tracts)	Amount to be Paid from FY 1984 Budget Request	Unfunded Deficiencies	Remarks
Appalachian Trail	$137.72	(6)	$ 137.72	Unknown	Four cases in North Carolina, two cases in Tennessee. Appraised values range from $6,540 to $125,500 per tract.
Alpine Lakes	124.6	(7)	124.6	Unknown	Anticipate FY 1983 filing per PL 94-357, Section 4(c)(1).
TOTAL	$262.32		$262.32		

11. Question: If the following amounts were made available for land acquisition in FY 1984, what would the project priorities be?

List by project the amount needed, the acreage to be acquired and the justification for each.

a) $30 million

b) $60 million

Answer: The Forest Service is authorized or directed to acquire 37 areas totaling almost two million acres. Our current estimate of the cost of such an undertaking is $1.7 billion. The Administration does not believe the objective of acquiring all of this area is either desirable or achievable. At a time of considerable restraint in the total Forest Service budget, we should emphasize managing the land the government already owns more efficiently rather than adding to the holdings and the land management workload. The $10 million for land acquisition in the 1984 budget is an appropriate level in light of other National and Forest Service priorities.

Within the total authorized areas and acres referred to above, some are (of course) of higher priority than others. To be responsive to this specific request for alternative programs, the Forest Service has developed a $30 million and $60 million package. The two program levels are detailed below.

USDA Forest Service
Fiscal Year 1984
$30 million increased Level

Area	Acres	$ Million
National Recreation Areas		
Spruce Knob-Seneca Rocks	2,000	$ 2.0
Sawtooth	1,000	2.0
Mt. Rogers	1,400	1.0
Rattlesnake	700	1.0
Appalachian Trail	600	0.6
Wild and Scenic Rivers		
Chattooga, Eleven Point, Flathead M.F. Feather, and Clearwater	1,000	1.0*
Lake Tahoe	1,000	7.0
Cascade Head Scenic Research Area	800	0.9
Boundary Waters Canoe Area Wilderness	300	3.0
Mt. St. Helens	800	0.5
Alpine Lakes	1,000	1.0
Deficiencies and Inholdings	----	3.0
Composites and Cash Equalization	4,200	3.0
Acquisition Management	----	4.0
TOTAL	14,800	$30.0

* Need Ceiling Increase on M.F. Feather and Clearwater W&SR's.

USDA - Forest Service
Fiscal Year 1984

$60 million Increased Level

Area	Acres	$ Million
National Recreation Areas		
Spruce Knob-Seneca Rocks	5,000	$ 4.4
Sawtooth	3,500	10.0 *
Mt. Rogers	1,400	1.0
Rattlesnake	700	1.0
Appalachian Trail	600	0.6
Wild and Scenic Rivers		
Chattooga, Eleven Point, Flathead M.F. Feather, and Clearwater	1,000	1.0*
Lake Tahoe	1,000	7.0
Cascade Head Scenic Research Area	1,600	2.0
Boundary Waters Canoe Area Wilderness	4,000	6.0
Other Wilderness	3,500	3.0
Mt. St. Helens	800	0.5
Alpine Lakes	1,500	1.5
Deficiencies and Inholdings	----	3.0
Composites and Cash Equalization	14,285	10.0
Acquisition Management	----	4.0
TOTAL	43,885	$60.0

* Need Ceiling Increase on M.F. Feather and Clearwater W&SR's.

12. Question: Do you or does the Administraiton have any plans to submit a rescission request for any of the remaining land acquisition in FY 1983? If so, for how much?

Answer: No rescissions are planned at this time.

13. Question: This year, the budget documents state that the Administration expects to increase offsetting receipts from the disposition of surplus property by $0.4 billion in FY 1983 and by $1.0 billion in FY 1984.

Are any Forest Service lands included in the basis for these estimates? Are any wilderness areas or areas in National Forests included?

Answer: Yes, approximately 180,000 acres of National Forest lands and 60,000 acres of other lands administered by the Forest Service are included in this figure. There are no wilderness or other congressionally designated areas included.

14. Question: In FY 1981, I offered an amendment, adopted in conference, to the Interior Appropriations bill adding $1 million for work on an important visitor use cite at Lake Kincaid in the Kistachie National Forest. This facility was to provide camping, hiking and swimming opportunities for handicapped children and military personnel at England Air Force Base near Alexandria, Lousiana.

What is the status of this project?

Is there any planned construction not yet funded?

If yes, please provide full details along with an estimate of how much could be used in FY 1984 to complete the planned recreation facility.

Answer: Currently complete and operational at Kincaid Lake is a boating site with restrooms. Under construction are the day-use and picnic sites. Funding in fiscal year 1983, provides for completing these sites so they will be opened and operational this coming season. Fiscal year 1983 funds also provides for initiating work on a 33 unit campground. This campground is designed as one loop of a potentially larger facility.

No funding is requested in fiscal year 1984. This will allow current construction to continue in an orderly, planned manner and is in accord with the President's fiscal program to hold down Federal spending. We anticipate our program for fiscal year 1985 to include funds to continue work on the campground. Further in the future, we expect to request funds for an entrance station, RV holding-tank dump station, fish cleaning station, trail construction and parking.

This will complete phase one of the Kincaid recreation area. After opening the campground we will study use and demand patterns to determine if there is need for expansion of the campground.

15. Question: The pine beetle has caused extensive problems throughout southern forests and to forests in Louisiana in particular. What is the budget for research to control this pest in FY 1984? How does this compare in dollars and man-years, to prior years (1983 and 1982)?

Answer: The funding and scientific effort for FY 1982 and 1983; and proposed for FY 1984 are:

Fiscal Year	Funding	Scientist-years
1982	2,352,000	5.9
1983	2,405,000	5.9
1984	2,405,000	5.9

The Scientist-years seem low for the funding level because most of the budget is for the Southern Pine Beetles Integrated Pest Management Program. Much of the research in the program is extramural (University grants and agreements). The program has a program manager, research coordinator and applications coordinator (3 SY's). If these were added to the 5.9 SY's supported by base funding, the program would show 8.9 SY's for each of the three years.

16. Question: The budget for cooperative forestry programs is recommended for significant reductions in FY 1984. Please provide a complete list of where these reductions will be made.

Answer: The following table illustrates the President's 1984 Budget compared to the FY 1983 appropriation for State and Private Forestry programs. The amounts shown in parenthesis under the President' 1984 Budget column are for financial assistance to States for planning assistance ($400,000) and the purchase of data ($1,605,000) of a national concern such as State pest conditions, fire suppression costs, and acres of reforestation.

Budget Item	1983 Appropriation		President's 1984 Budget		Change from 1983	
	Total	(Payments to States)	Total	(Payments to States)	Total	(Payments to States)
	(Dollars in Thousands)					
FOREST PEST MANAGEMENT (FPM)						
FEDERAL LANDS:						
Survey & Tech. Assistance	$ 9,480		$10,918		$ +1,438	
Suppression	8,000		4,486		-3,514	
Special Projects	1,230		1,245		+15	
COOPERATIVE LANDS:						
Survey & Tech. Assistance	1,899		675		-1,224	
Suppression	7,000		—		-7,000	
SUBTOTAL (FPM)	27,609	(8,900)	17,324	(675)	-10,285	(-8,225)
FIRE PROTECTION	14,370	(11,105)	3,007	(430)	-11,363	(-10,675)
FOREST MANAGEMENT AND UTILIZATION (FM&U):						
Forest Management	7,645		2,177		-5,468	
Wood Utilization	2,544		1,165		-1,379	
Seedlings, Nursery & Tree Improvement	2,477		395		-2,082	
Urban Forestry	1,500		—		-1,500	
Management Improvement	2,683		990		-1,693	
SUBTOTAL (FM&U)	16,849	(9,054)	4,727	(900)	-12,122	(-8,154)
SPECIAL PROJECTS:						
BWCA	3,000		—		-3,000	
Pinchot Institute	500		—		-500	
SUBTOTAL (Special Projects	3,500	(3,000)	—	(—)	-3,500	(-3,000)
TOTAL S&PF	$62,328	(32,059)	$25,058	(2,005)	$-37,270	(-30,054)

17. Question: General grants to States for fire protection are not recommended for funding this year. Please provide a list, State by State, for the last three years of how much of the fire protection program has been derived from the Federal grants and how much from other sources.

Answer: The enclosed table shows the comparison of Federal grants to State expenditures. Total grants to States averaged $11.8 million for the 1980-83 period. Recent analysis indicates the State expenditures shown on the table represent only a part of the total State expenditures for fire protection.

FIRE PROTECTION

STATE	1979		1980		1981		1982	1983
	Fed. Funds	State Funds	Fed. Funds	State Funds	Fed. Funds	State Funds	Fed. Funds 1/	Fed. Funds 1/
Idaho	552.7	1507.6	395.6	1528.9	336.7	1267.8	222.4	219.9
Montana	616.2	2133.1	441.1	2881.7	375.3	1433.0	247.9	245.1
North Dakota	169.7	267.6	120.6	305.9	103.7	170.6	67.8	67.1
Total R-1								
Colorado	743.9	1997.9	534.1	2029.7	454.5	1499.2	300.2	296.7
Kansas	423.0	1583.3	302.6	1507.4	258.5	2605.8	169.0	167.1
Nebraska	404.6	430.9	290.8	303.3	248.5	500.4	163.4	161.6
South Dakota	575.3	800.5	411.4	1019.6	350.1	512.0	231.3	228.7
Wyoming	353.3	1024.3	253.2	734.6	261.4	660.2	142.3	140.8
Total R-2								
Arizona	180.0	238.7	128.5	365.8	110.4	227.5	72.2	71.4
New Mexico	360.4	365.4	259.1	408.6	221.5	232.0	145.6	144.0
Total R-3								
Nevada	330.2	1222.0	237.4	1347.5	203.1	1406.6	133.5	131.9
Utah	299.9	833.7	215.6	1056.4	184.7	1154.9	121.2	119.8
Total R-4								
California	2043.1	63508.3	1463.7	76020.3	1245.3	87472.6	820.5	811.3
Guam	47.0	37.1	47.0	44.7	55.0	79.6	75.6	50.0
Hawaii	189.0	355.1	134.5	339.0	119.9	389.0	50.0	74.8
Total R-5								
Oregon	831.5	4303.9	595.4	8852.6	506.6	11795.0	334.6	330.9
Washington	837.1	8405.2	599.3	10839.5	570.0	8874.5	336.8	333.0
Total R-6								
Alabama	756.5	4702.6	542.0	3543.8	461.1	5491.8	304.7	300.1
Arkansas	676.0	3717.0	484.6	4730.3	412.4	4946.1	272.4	269.3
Florida	918.8	13265.1	658.7	15810.1	560.4	18688.6	370.2	366.1
Georgia	872.0	11201.0	625.0	10730.6	531.8	13058.9	351.3	347.4
Kentucky	604.8	2826.7	433.2	3342.1	368.6	4363.1	243.4	240.8
Louisiana	765.4	6678.2	547.9	5894.8	466.2	9025.4	308.0	304.4
Mississippi	781.1	4748.9	559.8	4957.0	476.2	4204.0	314.7	311.1
North Carolina	828.5	7531.0	593.4	7393.8	505.0	10430.0	333.5	329.8
Oklahoma	414.2	1278.8	296.7	1441.9	253.5	1403.3	166.7	164.9
Puerto Rico	47.0	2552.7	47.0	2882.1	55.5	55.5	50.0	50 0
South Carolina	788.6	5572.5	565.7	5490.2	481.3	5888.6	318.0	314.3
Tennessee	708.0	4041.1	508.3	4605.2	432.6	5790.3	285.7	282.5
Texas	651.4	2015.1	466.8	3355.6	397.2	3155.0	262.4	260.4
Virginia	792.8	3032.1	567.7	2442.5	483.1	3276.4	319.1	314.3
Virgin Islands					25.5	25.5	26.0	26.0
Total R-8								
Connecticut	144.1	103.2	102.8	172.1	88.6	279.3	58.3	57.2
Delaware	70.5	96.9	51.4	173.8	50.5	123.5	50.0	50.0
Illinois	287.2	121.2	205.7	204.0	176.2	175.3	115.6	114.3
Indiana	185.1	204.2	132.5	339.2	113.8	281.4	74.5	73.7
Iowa	150.0	93.1	106.8	129.6	92.0	173.4	60.5	59.3
Maine	632.0	2926.9	453.0	3441.4	385.4	3017.4	254.6	251.7
Maryland	403.6	795.3	288.8	795.3	246.7	1024.6	162.3	160.5
Massachusetts	394.2	1155.4	282.8	1371.7	241.7	1483.4	159.0	157.2
Michigan	769.8	1659.2	551.9	1153.3	469.5	1433.8	310.2	306.2
Minnesota	582.1	2014.5	417.3	5200.1	355.1	600.0	234.5	231.9
Missouri	724.2	1654.9	518.2	2226.8	441.0	2379.2	291.3	288.0
New Hampshire	280.7	451.2	201.7	529.2	172.7	599.7	113.4	112.2
New Jersey	504.3	788.4	362.0	2135.7	308.1	2504.8	203.5	201.1
New York	715.5	1585.4	512.3	1661.8	435.9	433.9	288.0	284.7
Ohio	426.5	632.0	306.6	1005.0	261.9	1090.5	172.3	170.4
Pennsylvania	791.8	4282.3	567.7	4783.7	483.1	6924.2	319.1	315.5
Rhode Island	137.3	286.6	98.9	379.7	85.3	305.1	57.2	56.2
Vermont	101.8	97.2	73.2	98.5	63.5	181.5	50.0	50.0
West Virginia	450.0	1084.9	322.4	1293.1	275.4	1930.6	181.2	179.2
Wisconsin	762.2	3524.0	545.9	5361.8	464.5	5160.4	289.1	303.1
Total R-9 (NA)								
Alaska	520.0	897.1	371.9	2056.9	351.5	11620.0	209.0	206.6
Total R-10								

18. Question: What are the fee increases expected to be on national forests in FY 1984? List by region and activity the fee last year and expected fee in FY 1984.

Answer: The Forest Service has been aggressively pursuing raising fees for such activities as use of campgrounds and swimming sites. Table 1 is a three-year comparison by Forest Service Region of user fee collections.

Our long term policy calls for increasing fees to bring them more in line with costs and to reduce public competition with the private sector. Table 2 is a comparison of the number of sites by fee for calendar year 1981 and 1982 and shows the progress which has been made.

Fee rates for Forest Service sites are established by Regional Foresters during the winter preceeding the use season. In establishing these rates, the Regional Foresters take into consideration the prices charged and services provided by the private sector. Fees for fiscal years 1983 and 1984 are formulated by individual forest for Regional Foresters approval in January of each year. It is anticipated these fees will be slightly higher than in 1982. The increase is a result of inflation and unique influences affecting the camping industry.

Table 1. Recreation Admission and User Fee Receipts. Deposited to Land and Water Conservation Fund. Dollars in thousands.

	FY 78	FY 81	FY 82
R-1	147,000	151,172	270,369
R-2	501,000	922,595	1,215,317
R-3	405,000	490,756	755,916
R-4	626,000	919,112	1,170,636
R-5	1,752,000	2,539,146	3,089,106
R-6	659,000	860,096	1,232,417
R-8	1,035,000	1,529,811	1,921,897
R-9	934,000	1,068,284	1,495,963
R-10	16,000	38,474	47,308
Total	6,075,000	8,519,450	11,198,934

Table 2. Forest Service Designated Fee Sites. Comparison summary, CY 1981 and 1982.

Region	$2.00	$3.00	$4.00	$5.00	$6.00	$7.00	$8.00	Swim $.50 - $2.00	Group Reservation *	Other	Fee Sites
1--CY '81:	43	30	1	--	--	--	--	--	--	--	74
CY '82:	--	44	45	10	--	--	--	--	--	--	99
2--CY '81:	--	120	62	52	6	--	--	1	18	1	260
CY '82:	--	6	122	124	6	7	--	1	25	1	292
3--CY '81:	64	22	--	--	--	--	--	--	14 (2)	--	98
CY '82:	6	29	30	19	--	--	--	--	16 (1)	--	99
4--CY '81:	82	174	18	6	--	--	--	1	95 (54)	1	323
CY '82:	66	89	107	53	7	--	--	1	[illegible]6 (57)	1	363
5--CY '81:	119	171	71	24	1	--	--	4	77	3	470
CY '82:	--	167	148	58	12	3	--	5	88	2	483
6--CY '81:	73	89	41	2	--	--	--	--	15 (10)	--	210
CY '82:	3	48	88	92	23	--	--	1	29 (14)	4	274
8--CY '81:	77	47	4	4	1	1	--	57	11 (6)	--	196
CY '82:	9	50	60	24	3	1	--	69	30 (15)	1	232
9--CY '81:	107	95	16	7	1	2	--	6	21	--	255
CY '82:	--	70	93	75	11	1	1	9	32	--	292
10--CY '81:	--	14	1	--	--	--	--	--	--	1	16
CY '82:	--	--	18	2	--	--	--	--	--	--	20
TOTAL '81:	565	762	214	95	9	3	--	69	251 (72)	6	1902
'82:	84	503	711	457	62	12	1	86	316 (87)	9	2154

*Figures in parenthesis are also included as charge campground.

APPENDIX IV

RESPONSES FROM MR. NOBLE TO ADDITIONAL COMMITTEE QUESTIONS

JAMES A. MC CLURE, IDAHO, CHAIRMAN
MARK O. HATFIELD, OREG.
LOWELL P. WEICKER, JR., CONN.
PETE V. DOMENICI, N. MEX.
MALCOLM WALLOP, WYO.
JOHN W. WARNER, VA.
FRANK H. MURKOWSKI, ALASKA
DON NICKLES, OKLA.
CHIC HECHT, NEV.
JOHN H. CHAFEE, R.I.
JOHN HEINZ, PA.
J. BENNETT JOHNSTON, LA.
HENRY M. JACKSON, WASH.
DALE BUMPERS, ARK.
WENDELL H. FORD, KY.
HOWARD M. METZENBAUM, OHIO
SPARK M. MATSUNAGA, HAWAII
JOHN MELCHER, MONT.
PAUL E. TSONGAS, MASS.
BILL BRADLEY, N.J.

MICHAEL D. HATHAWAY, STAFF DIRECTOR
CHARLES A. TRABANDT, CHIEF COUNSEL
D. MICHAEL HARVEY CHIEF COUNSEL FOR THE MINORITY

United States Senate
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, D.C. 20510

February 4, 1983

The Honorable Edward E. Noble
Chairman of the Board
United States Synthetic Fuels Corporation
1900 L. Street, N.W.
Washington, D.C. 20586

Dear Mr. Noble:

On behalf of the Committee on Energy and Natural Resources, I wish to express its appreciation for your contribution to our understanding of President Reagan's proposed budget for Fiscal Year 1984.

In connection with your testimony before the Committee on February 3, 1983, enclosed are questions for the record. Your response by Thursday, February 10, 1983, would be appreciated. Your response and any inquiries regarding this request should be directed to the attention of Richard D. Grundy, professional staff member at (224-2564).

Sincerely yours,

James A. McClure

James A. McClure
Chairman

JAM:rg/nm
Enclosures

Questions Submitted To Edward Noble
Chairman of the Board
U.S. Synthetic Fuels Corporation

From Majority Members
Committee on Energy and Natural Resources

February 3, 1983

Questions submitted from Senator Weicker

1. MR. NOBLE, SECTION 174 OF THE ENERGY SECURITY ACT OF 1980 PROVIDES THAT,

> In providing financial assistance, the Corporation shall require the recipient thereof to provide for the fair and reasonable participation by small and disadvantaged businesses in the synthetic fuel project receiving financial assistance and the Corporation shall do so with respect to Corporation construction projects under subtitle E.

TO WHAT EXTENT HAS THE CORPORATION DEVELOPED POLICY, PLANS, PROGRAMS AND RESOURCES TO CARRY OUT SECTION 174?

WHAT LEVEL OF RESULTS DO YOU EXPECT?

QUESTIONS SUBMITTED TO HONORABLE EDWARD E. NOBLE

Chairman of the Board
U.S. Synthetic Fuels Corporation

from

Minority Members
Committee on Energy and Natural Resources

February 3, 1983

2. What level of oil prices, or other applicable competing fuel prices, would be necessary for each of the proposals now being negotiated in order for the Synthetic Fuels Corporation to avoid having to make good on the requested financial support?

3. What would the Corporation's financial liability be on each of these projects if oil prices, or other applicable competing fuel prices, remain constant? if they fall 20%? if the rise 20%?

4. Has the Corporation eliminated consideration of government-owned, company-operated projects? If so, why?

5. It is no secret that before you joined the SFC, you had serious misgivings about the value of the synthetic fuels program and the SFC. Apparently you have changed your mind. Could you explain why?

6. At your confirmation hearing Senator Jackson suggested that you meet with energy industry officials to determine their interest in synthetic fuels and, more importantly, their willingness to make significant investments in synfuels. Have you followed up on that suggestion?

7. There has been a great deal of criticism of the pace of your program. Have you done anything to streamline and speed up the decision-making process?

8. I'm told that there have been newspaper reports (Grand Junction Daily Sentinel) that Exxon is giving serious consideration to coming in under the targeted schedule for oil shale. If these reports are accurate, that is an interesting development in view of Exxon's withdrawal from the Colony project. Has Exxon contacted SFC?

9. You are now in the process of evaluating the 46 proposals submitted under your third solicitation. Do you see any change from those submitted in the first and second solicitations?

10. SFC's budget (Statement of Expenses) indicates that by the end of FY 1984 you will have made program committment for $13.2 billion of the $14.9 billion currently available for financial assistance. In light of past performance this would obviously be a very great acceleration of activity. Why do you believe this is a realistic estimate?

11. An article in the January 24, 1983, Grand Junction The Daily Sentinel states that "Because of the criteria issued thus far by the Synfuels Corp., the major oil companies most likely are considering reducing the size of their planned commercial-scale shale plants." Is industry reducing the size of projects? If so, do you believe the SFC's criteria are the cause?

If the criteria are the cause, do you believe the criteria are appropriate?

-0-

12. Your original estimate of programmatic commitments for fiscal year 1982 was $4.5 billion. Which projects did you assume would be funded in deriving that estimate?

I understand your reluctance to name specific projects which may or may not be funded in the future. How many projects do you assume will be funded in Fiscal Years 1983 and 1984 in deriving your estimates of $6.0 billion and $7.2 billion in programmatic commitments for those years?

13. Please go through the mechanics of making a commitment to one of these projects, for example, the first one you list: FIRST COLONY PEAT-TO-METHANOL.

14. What are the levels of outlay that SFC estimates for each future fiscal year for which you make such estimates? How are these estimates derived?

15. What prices do you use in estimating potential outlays by SFC in future years as a result of price guarantees you might enter into now? How do you decide what future oil prices to use in your operaions generally?

16. In the specific case of the Union Oil agreement originally entered into under DPA, what outlays do you project in each year in the future for which outlays could occur?

17. What is your view of the production goals for SFC set forth in the Energy Security Act?

18. What coal projects do you have before you? In each case describe the "maturity" of the proposal, the expected size of the

commitment anticipated, and the output in barrels of oil per day equivalent.

19. Answer the previous question for oil shale.

What is the size of the project in dollar commitment and output that SFC sees receiving support in the programmatic FY 83 and FY 84 budgets?

20. Do you have projects of this size? Coal projects? Oil shale projects? Are these projects potentially commercial (i.e., more than a pilot plant)?

21. I understand that you are proposing a "targetted coal solicitation". What new projects do you expect to uncover?

What will be the effect of this new solicitation on the coal projects you already have?

How will another solicitation speed up the process?

Is there something wrong with the process as manifested by the first three solicitations?

22. There have been many comments regarding lack of credibility of the SFC with industry. What do you feel is the current state of communications?

23. Many people are disappointed with the bureacratic procedures of the SFC and its staff. It was hoped that greater flexibility would be possible in a new organization.

What is being done to improve this?

24. The staff and board of directors often give conflicting messages to industry and project sponsors.

How is this being improved?

25. What is the chain of command within the SFC and what is the discussion of authority and responsibility between:

Chairman - Noble
President - Schroeder
Executive V.P. - Bowden
Head of Projects - Cowen

26. What is the role of the other members of the board of directors?

How much time are they spending on SFC work? Please send the committee a list of meetings and communications to evaluate how much time they are spending.

27. How is the SFC "outreach" program progressing? What is its purpose and how will you judge its success?

(Ask for a list of contacts/meetings and how many relate to coal)

28. What is your opinion of the need for broad based industry support to form consortium to finance projects?

29. What role has the SFC played to-date in encouraging companies to join projects and should this effort be increased?

30. Mr. Schroeder went to Germany and Japan to support foreign participation in U.S. projects. He should be commended for his efforts and his realization of the international aspects and potential for synfuels.

Are these efforts going to be continued? What were the results of the recent meetings with the Japanese?

31. Who is defining the scope of the SFC over-all strategy, due to Congress on June 30, 1984?

- o Chairman Noble?
- o The Board?
- o The Staff?

When can the Committee staff be briefed on the progress of the report and what if any are the implications for the current project selections?

United States Synthetic Fuels Corporation
2121 K Street, N.W. Washington, District of Columbia 20586 Telephone: (202) 822-6600

February 18, 1983

The Honorable James A. McClure
Chairman
Senate Committee on Energy
and Natural Resources
Washington, DC 20510

Dear Mr. Chairman:

Thank you for the opportunity to testify before the Committee on Energy and Natural Resources with regard to the budget and program of the Synthetic Fuels Corporation for fiscal years 1983 and 1984.

In connection with my testimony, I am enclosing my responses to the questions submitted for the record, together with those additional items I promised the Committee.

I look forward to working with you and the other members of the Committee as we continue our efforts to develop a viable synthetic fuels industry.

Sincerely,

Edward E. Noble
Chairman of the Board

Enclosure

Question 1: Mr. Noble, Section 174 of the Energy Security Act of 1980 provides that,

> In providing financial assistance, the Corporation shall require the recipient thereof to provide for the fair and reasonable participation (by small and disadvantaged businesses) in the synthetic fuel project receiving financial assistance and the Corporation shall do so with respect to the Corporation construction projects under subtitle E.

To what extent has the Corporation developed policy, plans programs, and resources to carry out Section 174? What level of results do you expect?

Answer 1: I have stated that each project sponsor receiving assistance will be required to develop arrangements to assure fair and reasonable participation by small and disadvantaged businesses in the project receiving financial assistance.

The Corporation is considering including a provision in each of its financial assistance contracts to require recipients to carry out, to the fullest extent consistent with efficient performance, the Corporation's policy of providing small business concerns owned and controlled by socially and economically disadvantaged individuals a fair and reasonable opportunity to participate in those projects.

I intend to recommend to the Board that the Corporation require sponsors to attend a preconstruction and a preoperational meeting to discuss how the sponsors intend to meet the requirements of Section 174 during construction and operation.

Answer 1

cont'd: As part of its ongoing monitoring of a project, I further intend to recommend to the Board that sponsors be required to report how they are meeting the requirements of Section 174.

Question 2: What level of oil prices, or other applicable competing fuel prices, would be necessary for each of the proposals now being negotiated in order for the Synthetic Fuels Corporation to avoid having to make good on the requested financial support?

Answer 2: The fuel price level necessary for the Corporation to avoid outlays under financial assistance contracts will vary broadly, reflecting both project-specific requirements and general economic characteristics of particular types of projects, as well as the form of assistance. For example, the proposed assistance terms of the First Colony peat-to-methanol project include an initial price guarantee level significantly above the current market price, whereas the proposed price guarantee level for the Santa Rosa tar sands project closely approximates market. Thus, in the former case, market prices would have to approximately double in real terms to avoid all price guarantees outlays; whereas outlays would be negligible in the latter case should the status quo be maintained.

The Corporation's competitive solicitation for oil shale projects specifies a maximum average support price of $67 (in March 1983 dollars). Such a price level similarly would require an approximate doubling of current price levels to avoid all price guarantee payments.

In considering price levels which would be necessary to avoid program outlays, the premiums cited in the foregoing examples should also be viewed in terms of their relationship to price levels prevailing over the recent past which were significantly higher than today.

Answer 2

cont'd:

In contrast to price guarantees, which by definition could involve substantial likelihood of payout, loan guarantees are structured so that the probability of outlays is quite small, absent multiple adverse changes in project economics. The Corporation's analysis and negotiation process take into account the circumstances which could lead to project abandonment. Nevertheless, the Corporation's long-term planning provides an appropriate, conservative allowance for loan guarantee outlays.

Question 3: What would the Corporation's financial liability be on each of these projects if oil prices, or other applicable competing fuel prices, remain constant? If they fall 20%? If they rise 20%?

Answer 3: As in the case of question #2, the impact of SFC outlays under financial assistance contracts of specified price level changes is dependent on both project-specific and general economic characteristics, as well as the form of assistance. As seen in the examples under question #2 above, a 20% price rise could result, depending on the initial support price level, in a 20% to 100% decline in the level of expected price guarantee outlays. A declining oil price scenario would increase the certainty and accelerate the timing of price guarantee outlays, but would not cause SFC liability to exceed the maximum contractual obligation. Since the Corporation foresees fuel prices increasing modestly (one to two percent per annum) in real terms over the long term, constant prices would tend to increase expected outlays.

Question 4: Has the Corporation eliminated consideration of government-owned, company-operated projects? If so, why?

Answer 4: The Corporation has not eliminated consideration of government-owned, company-operated projects. At this time, however, we have before us some very attractive projects which have not yet been fully evaluated or negotiated. We also have a targeted oil shale solicitation open, and plans to issue targeted coal solicitations. From these we expect to receive additional strong proposals. Thus, we expect to conclude agreements using the contingent financial assistance authorities of the Energy Security Act and so have no reason to consider the GOCO option.

Question 5: It is no secret that before you joined the SFC, you had serious misgivings about the value of the synthetic fuels program and the SFC. Apparently you have changed your mind. Could you explain why?

Answer 5: It is true that when I first came to Washington as a member of President Reagan's energy transition team, I had doubts about whether the Corporation was necessary. But then we started looking at the strategic value of synthetic fuels, and I realized their importance to U.S. energy and economic security. I realized that 91 percent of the total domestic energy reserves of the United States are held in solid form; in coal, oil shale, and tar sands. In developing the capability to convert these into gas and liquids, we provide an alternative to conventional oil and reduce our dependence on imports. Because of the vastness of our solid resource base, we also become a potential supplier for our allies and trading partners, should circumstances warrant.

Once we prove we can produce synthetic fuels at commercial scale at some reasonable, constant dollar value, we establish what I call the synthetic fuels "option." In effect, we set a ceiling on oil prices and send a clear signal to the exporting countries not to push us too far. We also provide an additional source of gas and liquid fuels well into the twenty-first century, until renewable energy technologies can be put in place.

Answer 5

cont'd: I believe strongly that the country needs the security of the synfuels option, now. This is why I support SFC financial assistance to a pioneer group of projects, to establish the economics and provide the infrastructure for efficient industry expansion when the market directs.

Question 6: At your confirmation hearing Senator Jackson suggested that you meet with energy industry officials to determine their interest in synthetic fuels and, more importantly, their willingness to make significant investments in synfuels. Have you followed up on that suggestion?

Answer 6: Yes. The Corporation has made a concerted effort to establish a dialogue with industry. Through January 20, 1983, 441 separate meetings were held with companies. The bulk of these have included senior SFC corporate officers and their private sector counterparts. Generally, subjects of discussion ranged from broad reviews of corporate policies on synthetic fuels, the economics of synthetic fuel projects, SFC policies concerning certain feedstocks, to specific conversations about company-proposed timelines for development and how the timelines might be amended to fit the SFC's solicitation schedules.

Question 7: There has been a great deal of criticism of the pace of your program. Have you done anything to streamline and speed up the decision-making process?

Answer 7: As indicated in my testimony, the fundamental factor determining the pacing of the Corporation's program has been the readiness and willingness of the private sector to invest substantial amounts of equity in pioneer plants during a period of weakening corporate cash flow and uncertain projections of energy prices. Nonetheless, progress has been made. The projects now before us have demonstrably matured in the last two years, and we should see the results of this two years of growth in the letters of intent we plant to execute in the coming months.

First, the Board drew on the experience of the first solicitation, and permitted the staff to begin negotiations with a project as soon as it had sufficient equity committed -- and before the completion of the strength evaluations -- because it was clear that equity was the central problem to completing agreements. This change accelerated decision-making in the second solicitation and should also do so in the third.

Second, the Board has directed the staff to review projects as rapidly as practicable to maintain the pace of Board decision-making. In particular, projects are reviewed for maturity as quickly as their individual merits allow -- without awaiting readiness of other projects.

Answer 7

cont'd: Third, the board has approved an Oil Shale Competitive Solicitation, which consciously embodies a minimum of Corporation review procedures and the submission of sealed bids by project sponsors.

Question 8: I'm told that there have been newspaper reports (Grand Junction Daily Sentinel) that Exxon is giving serious consideration to coming in under the targeted schedule for oil shale. If these reports are accurate, that is an interesting development in view of Exxon's withdrawal from the Colony project. Has Exxon contacted SFC?

Answer 8: Exxon has generally inquired into the functioning of the competitive solicitations, but has not discussed any specific projects with the Corporation.

Question 9:	You are now in the process of evaluating the 46 proposals submitted under your third solicitation. Do you see any change from those submitted in the first and second solicitations?
Answer 9:	The Corporation has noted a number of trends regarding project characteristics from the first, to tne second, to the third solicitation. For example, projects have tended to become more mature. While eleven projects were found to be mature under the first solicitation, seventeen were found mature under the second. This number will likely be exceeded under the third.

Another trend is that proposed projects have tended to be smaller than in previous solicitations (at least the initial portion of the project for which assistance is requested). While a number of projects under the first solicitation proposed production levels of between 50,000 BPD and 100,000 BPD, only one or two of the likely mature projects under the third solicitation would exceed 20,000 BPD.

A third trend is that the projects under the third solicitation have somewhat stronger equity backing. This appears to be a result of both continued formation of consortia and the trend to smaller projects, which require relatively less equity. This last point, however, will not be validated until actual negotiations test the commitment behind the apparent equity.

Question 10: SFC's budget (Statement of Expenses) indicates that by the end of FY 1984 you will have made program commitment for $13.2 billion of the $14.9 billion currently available for financial assistance. In light of past performance this would obviously be a very great acceleration of activity. Why do you believe this is a realistic estimate?

Answer 10: The estimates for the commitment of funds for financial assistance projects in FY 1983 and FY 1984 are based upon the Corporation's best current assessment of the readiness of potentially strong projects to commit to proceed with SFC assistance. In part, this is based on an understanding derived from ongoing negotiations with seven projects in the second solicitation. Further, it is based on an early evaluation of projects in the third solicitation, where these have indicated progress in maturity and equity formation from the time of earlier consideration by the SFC. As indicated in my testimony, 29 of the 46 sponsors responding to the third solicitation had submitted under to earlier solicitations. Moreover, the targeted solicitations for oil shale and coal are/will be designed to speed project selection procedures. We expect the Board may approve financial assistance for six projects by the end of FY 1983. We expect about six more projects to be approved in FY 1984.

Overall, the Corporation believes this to be a wholly possible outcome. And it should certainly be viewed less as a significant acceleration than as a natural outcome of a careful and deliberate process that takes time.

Question 11: An article in the January 24, 1983, Grand Junction *The Daily Sentinel* states that "Because of the criteria issued thus far by the Synfuels Corporation, the major oil companies most likely are considering reducing the size of their planned commercial-scale shale plants." Is industry reducing the size of projects? If so, do you believe the SFC's criteria are the cause?

If the criteria are the cause, do you believe the criteria are appropriate?

Answer 11: I do not believe that either assertion is basically correct. The article appears to be drawing conclusions from the fact that projects applying to the Corporation under the third solicitation are requesting assistance for smaller initial facilities. From the Corporation's review of shale projects, it does not appear that sponsors are materially changing the ultimate scale of their projects. They are, however, modifying the staged implementation of the projects -- choosing to begin with an initial module (or modules), which would be followed by additional modules when the technology is proven on site and when market conditions favor such development. It is clear that in this way project sponsors have a much more manageable task in raising necessary equity for the projects.

There is little or no indication that SFC criteria have caused this. Indeed, the Corporation would consider larger facilities, although we did indicate a readiness to support smaller initial commercial facilities in recognition of the equity problems industry is facing.

Question 12: Your original estimate of programmatic commitments for fiscal year 1982 was $4.5 billion. Which projects did you assume would be funded in deriving that estimate?

I understand your reluctance to name specific projects which may or may not be funded in the future. How many projects do you assume will be funded in Fiscal Years 1983 and 1984 in deriving your estimates of $6.0 billion and $7.2 billion in programmatic commitments for those years?

Answer 12: The 1982 budget was prepared prior to the Board's having made basic operating decisions with respect to the Corporation's financial assistance criteria, and therefore its degree of accuracy was not expected to be high, as indicated in the President's 1982 budget submission. In deriving a preliminary estimate for 1982 commitments, the staff had assumed assistance authorizations for two major coal projects and four smaller projects in the coal and tar sands categories.

The 1983 and 1984 budgets assume financing commitments for six projects in each fiscal year (for a total of twelve projects), representing a mix of coal, shale and tar sands/heavy oil ventures. (See also the response to question #19 below.)

Question 13: Please go through the mechanics of making a commitment to one of these projects, for example, the first one you list: FIRST COLONY PEAT-TO-METHANOL.

Answer 13: A project proceeds through a series of formal reviews and Board decision milestones before a commitment is made by the Corporation. These are as follows:

a. Eligibility review - is the proposed resource base, the project itself, and the proposed form of assistance eligible for consideration by the Corporation under the Energy Security Act and under the terms of the solicitation? This review is conducted by the Corporation's General Counsel.

b. Maturity review - does the project meet the maturity tests laid out in the solicitation? In effect, these tests are designed to assess whether sufficient site-specific engineering, design work and permitting have been accomplished to allow a realistic evaluation by the Corporation of a project's costs, operability, financial viability and overall strengths.

This review is conducted by a project team consisting of staff members representing a matrix of the different offices of the Corporation. The team is led by a project officer and has representatives from Projects, Technology and Engineering, General Counsel, Finance and Environment.

Answer 13

cont'd:

The project team recommends to the Vice President of Projects whether to pass a project beyond the maturity review. All team recommendations are then discussed by all the Vice Presidents, who in turn pass their recommendations as well as the project team's recommendations on to the Board of Directors.

At a formal Board of Directors meeting members question the staff at length on their recommendations and then discuss among themselves the various recommendations. After all issues are thoroughly debated, a vote is taken. For a project to pass the maturity review, it must receive a majority vote from the Board, with a quorum of at least four members present.

c. Strength review - is the project essentially strong against all the criteria laid out in the solicitation - i.e., technical, managerial, replicability, equity commitment, financial viability, marketing, and environmental? This review occurs in two stages: Phase I focuses on proposal data in about a two-month period.

Phase II involves in-depth validation, including independent technical and cost evaluations performed over a several month period. The strength review is conducted in the same manner as the maturity review.

Answer 13

cont'd: d. Negotiations - can a financial assistance package be negotiated that promises a viable project over most future scenarios; and is the amount of financial assistance within the competitive range of other projects in the given resource category of the specific solicitation? In addition, during negotiations where it is apparent that a loan guarantee is likely to be awarded, the staff may recommend that the Board approve a cost-sharing agreement with the project, to refine the design to improve the accuracy of estimated project costs in accordance with Section 131(u) of the Act.

Project negotiations are conducted by a matrix team consisting of the chief negotiator from Projects, the deputy general counsel or his designee, the Vice President of Finance or his designee, the individual project team leader and various project team members as needed. This team reports to the Senior Vice President for Projects, who in turn consults with the Executive Vice President, the President, and the Chairman of the Board. As negotiations reach certain milestones, the Board of Directors, which is continually appraised of the status of deliberations on an individual basis, meets to provide direction and/or act on unresolved issues. At the conclusion of negotiations, the Board votes again on the entire package.

Answer 13

cont'd: e. Documentation - producing the extensive contract language and conditions to transform a letter of intent into a final agreement.

Question 14:	What are the levels of outlay that SFC estimates for each future fiscal year for which you make such estimates? How are these estimates derived?
Answer 14:	Due to the long construction time involved, no outlays (exclusive of outlays under the Union Oil agreement discussed below) are foreseen for the fiscal 1983-1985 period. The budgeted outlays, all for price guarantees for fiscal years 1986 and 1987, are $200 million and $400 million, respectively. These projections are based on an expected mix of projects among the coal, shale and tar sands/heavy oil categories, their estimated construction time and start-up pattern, a probable mix of assistance between price guarantees and loan guarantees and the necessary price guarantee levels perceived for project viability in the various categories.

Question 15: What prices do you use in estimating potential outlays by SFC in future years as a result of price guarantees you might enter into now? How do you decide what future oil prices to use in your operations generally?

Answer 15: The fuel price projections used by the Corporation, both generally in its financial analysis of projects and for purposes of estimating outlays, are developed by the staff working with outside consultants. The projections, which take into account forecasts by a broad spectrum of government, economic and industry experts, are updated periodically to reflect changing market conditions and outlook. Price forecasts, and resulting Corporation analysis of project economics and expected outlays, take into account not only the median outlook but also the high and low ranges of possible future price movements, which are synthesized in the Corporation's computer simulation of projects.

Question 16: In the specific case of the Union Oil Agreement originally entered into under DPA, what outlays do you project in each year in the future for which outlays could occur?

Answer 16: The price support provisions of the Union Oil Agreement terminate on June 30, 1990 and the current estimate of the first oil production which would be eligible for price support payments is September, 1983. Actual outlays will be a function both of production and of the actual market prices of jet and diesel fuel, the GNP implicit price deflator and the price of natural gas in effect during the term of the Agreement. The median annual estimate of guarantee outlays is shown below; simulation of the many variables suggest that aggregate outlays over this period could range from approximately $60 million to approximately $300 million. In no event can outlays exceed $400 million under the terms of the Agreement.

Fiscal Year	Median Estimate
1984	$ 30 million
1985	32 million
1986	33 million
1987	27 million
1988	20 million
1989	21 million
1990	17 million
TOTAL	$180 million

Question 17: What is your view of the production goals for SFC set forth in the Energy Security Act?

Answer 17: Section 125 of the Act establishes a national goal of achieving a synthetic fuel production capability equivalent to at least 500,000 barrels per day of crude oil by 1987 and of at least 2,000,000 barrels by 1992. Most people today agree that these goals are not particularly realistic.

Further, our Board of Directors has resolved that it is "prepared to trade off some near-term production for diversity that will improve the industry's capability for expansion and long-term production." By the end of June, 1984, we will provide Congress, as required by law, a comprehensive strategy, one purpose of which is to address these goals. Together with the private sector, we are working towards developing the capability for long term, volume production. Our success will be greatly influenced by the state of the economy, energy markets, and government policy towards synthetic fuels.

Question 18a: What coal projects do you have before you? In each case describe the "maturity" of the proposal, the expected size of the commitment anticipated, and the output in barrels of oil per day equivalent.

Answer 18a: From the second and third solicitations, the Corporation currently has a total of eighteen coal projects under consideration. Grouped by the stage of review each is now undergoing, they are:

a. Second Solicitation negotiations on terms and amounts of assistance

- Coolwater: 4,300 BOED of synthesis gas for combined cycle electricity generation (106 MW)
- North Alabama: gasification of coal to produce 28,139 BPD of methanol

b. Third Solicitation Phase I strength reviews (passed the maturity review)

- Dowsyn: 5,172 BOED of medium Btu gas for combined cycle electricity generation
- Memphis: 8,621 BOED of medium Btu gas
- NEEP: 337 MW electric power; and 1500 T/D methanol or 50 MM SCFD methane (16,800 BOED total)
- Scrubgrass: 8,600 BPD gasoline, 1085 BPD butanes, 800 BPD propane

c. Third Solicitation maturity reviews

- Beluga: Gasification to produce 54,000 BPD of fuel grade methanol
- Breckinridge: 11,300 BOED refinery products through direct liquefaction
- Can-Do: 170 BOED of low Btu gas
- Hampshire: 21,000 BPD of gasoline and other hydrocarbon fuels from gasification

- Iron City: 5.0 billion Btu/day medium Btu gas
- Keystone: 13,343 BPD methanol from gasification
- KILnGAS: 440,000 BOE/yr. low Btu gas
- MAPCO: 17,000 BPD of methanol from gasification
- National Synfuels: 100-400 BOED of low Btu fuel gas
- Ohio I Coal Conversion: 5,000 T/D fuel grade methanol from gasification
- TSA: 10,000 BOED of gasoline from gasification
- World Energy: 450,500 BOE/yr. electric power; underground coal gasification

The first six coal projects listed above have already passed their respective maturity tests. Although maturity evaluations have not been completed on the remaining 12 coal projects, staff estimates that half or fewer of them are likely to be determined mature.

Until negotiations are relatively advanced, it is difficult to estimate the expected size of assistance. Also, it is apparent that more projects are likely to enter negotiations than can receive awards and that the number of awards will vary according to the size of the projects ultimately selected. Estimates used to project SFC obligational authority commitments in the coming year were based on the First Colony experience and on an assumption of assisting three medium sized coal projects at a total commitment of about $7 billion.

Question 18b: Answer the previous question for oil shale.

Answer 18b The Corporation currently has a total of eleven projects under consideration from the third solicitation. These are as follows:

- Union Oil (Phase II): 20,000 BOED (or some multiple thereof up to 80,000 BOED)
- American Syncrude: 4,160 BOED
- Cathedral Bluffs: either 11,700 BOED or 13,500 BOED
- Cottonwood Wash: 8,260 BOED
- Means Oil Shale: 13,440 BOED
- Pacific: 15,000 BOED
- Paraho: 11,300 BOED
- Seep Ridge: 1,000 BOED
- Silmon Smith: 5,800 BOED
- White River: 17,120 BOED
- Wolf Den: 4,000 BOED

The Union project has already passed the maturity test. Without having completed the other maturity reviews, the staff estimates that about half of the remaining 10 oil shale projects will be determined mature.

As in the case of coal discussed earlier, estimates of expected assistance are difficult to make prior to advanced negotiations. The estimates used to project SFC obligational authority commitments in the coming year were based on an assumption of assisting three shale projects for a total commitment of $4.8 billion.

Question 19: What is the size of the projects in dollar commitment and output that SFC sees receiving support in the programmatic FY 83 and FY 84 budgets?

Answer 19: The Corporation's 1983 and 1984 budgets are predicted on coal and shale projects generally in the 8,000-20,000 barrel per day range and tar sands/heavy oil projects of the 4,000-10,000 barrels per day size, although allowance has been made for the inclusion of a smaller coal project and larger tar sands ventures. The anticipated dollar commitment per project would range from $1.7 to $2.9 billion in the case of coal and from $1.3 to 2.0 billion in the case of shale. The smaller and lower unit cost tar sands/heavy oil ventures would require approximately $0.2 billion in commitment on average.

Question 19: What is the size of the projects in dollar commitment and output that SFC sees receiving support in the programmatic FY 83 and FY 84 budgets?

Answer 19: The Corporation's 1983 and 1984 budgets are predicted on coal and shale projects generally in the 8,000-20,000 barrel per day range and tar sands/heavy oil projects of the 4,000-10,000 barrels per day size, although allowance has been made for the inclusion of a smaller coal project and larger tar sands ventures. The anticipated dollar commitment per project would range from $1.7 to $2.9 billion in the case of coal and from $1.3 to 2.0 billion in the case of shale. The smaller and lower unit cost tar sands/heavy oil ventures would require approximately $0.2 billion in commitment on average.

Question 20: Do you have projects of this size? Coal projects? Oil shale projects? Are these projects potentially commercial (i.e., more than a pilot plant)?

Answer 20: Coal and shale projects of the size range cited in response to question #19 above are under consideration in the Corporation's second and third solicitations and others are expected in future targeted solicitations. Analysis of such projects indicate they are of commercial size.

Question 21: I understand that you are proposing a "targeted coal solicitation." What new projects do you expect to uncover? What will be the effect of this new solicitation on the coal projects you already have? How will another solicitation speed up the process? Is there something wrong with the process as manifested by the first three solicitations?

Answer 21: The first three SFC solicitations were successful in attracting a large number of diverse project proposals. The Corporation is also aware, however, of a number of coal projects which did not apply for SFC assistance under any of the general solicitations. The Corporation believes that use of competitive coal solicitations may attract these and other projects, which will improve competition and broaden the base for a coal-derived synthetic fuels industry. Targeted solicitations will also assure that we cover the resource/technology combinations which the Board deems desirable for optimum industry development. Further, targeted solicitations are not expected to have any negative effect on projects currently under evaluations by SFC, and may actually enhance the Corporation's negotiations alternatives.

Question 22: There have been many comments regarding lack of credibility of the SFC with industry. What do you feel is the current state of communications?

Answer 22: The current state of communications between the SFC and industry is good. This has been fostered in part by the Corporation's outreach initiative, in part by the signing of letters-of-intent with two projects, in part by the continuing progress of negotiations with several other projects, and in part by the candid discussions held between SFC officers and staff and various interested individuals and potential sponsors. The large number (46) of proposals received in response to the third solicitation attests to industry's confidence in the Corporation. This is further underscored by the high level of industry interest in both the competitive shale solicitations and the pending competitive coal solicitations.

Question 23: Many people are disappointed with the bureaucratic procedures of the SFC and its staff. It was hoped that greater flexibility would be possible in a new organization. What is being done to improve this?

Answer 23: At the Corporation we have worked hard to avoid bureaucratic procedures. Perhaps some confuse the rigorous requirements we have set for project maturity and equity funding with bureaucracy. But in fact, these conditions, once met, allow projects, to advance expeditiously. Certainly, the Board has made decisions on project maturity and strength with regularity and without delay. A recent review shows that the Corporation has adhered closely to its original decision schedule (published in October 1981) for each of the three general solicitations.

Question 24: The staff and Board of Directors often give conflicting messages to industry and project sponsors. How is this being improved?

Answer 24: Both the Corporation and industry must develop and maintain flexible postures, to deal more effectively with the changes in the economic climate. As our own program and policies have matured over the last year, the Corporation has been able to give industry a stronger, more definitive message as to our needs and requirements. Further, however, as conditions in world economies and energy markets shift, we must adjust our response and modify our perspective to reflect reality. The Board and staff are continually reviewing the needs of pioneer synfuels projects and working to lay the groundwork for a secure and competitive industry.

Question 25: What is the chain of command within the SFC and what is the discussion of authority and responsibility between:

Chairman -Noble
President -Schroeder
Executive V.P. -Bowden
Head of Projects -Cowen

Answer 25: The chain of command within the Corporation begins with the Chairman, who under Section 117(a) of the Energy Security Act ("Act"), is the Chief Executive Officer of the Corporation responsible for the management and direction of the Corporation. The attached Board-approved By-laws and System of Organization establish the offices of President, Executive Vice President, and Senior Vice President for Projects and define their respective responsibilities.

The Corporation's current organizational chart is also attached.

Each of these officers also exercises management authorities and functions delegated to them pursuant to Section 119(a) of the Act.

BY-LAWS OF
UNITED STATES SYNTHETIC FUELS CORPORATION

ARTICLE I

General Provisions

Section 1. Principal Office. The principal office of the Corporation shall be located in the City of Washington, District of Columbia. The Corporation may establish offices elsewhere in the United States as determined by the Board of Directors.

Section 2. Seal. The seal of the Corporation shall be in such form as shall be approved from time to time by the Board of Directors.

Section 3. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of October and shall end on the last day of September.

ARTICLE II

Board of Directors

Section 1. General Powers. All functions, powers and duties of the Corporation other than those vested in the Chairman by Section 2 of Article IV shall be vested in the Board of Directors. The Board of Directors may, by resolution, delegate to the Chairman or other Directors such functions, powers or duties except as prohibited by Section 119(a) of the Energy Security Act, 42 U.S.C. Sec. 8701 (1980 Supp.) as it may be amended from time to time (the Act).

Section 2. Number, Tenure, Qualifications, Compensation and Manner of Appointment and Removal. The number of Directors, their tenure, qualifications, compensation and manner of appointment and removal shall be as specified in Section 116 of the Act.

Section 3. Meetings. The Board of Directors shall meet at any time pursuant to, and at the place set forth in, the call of the Chairman, but not less than quarterly. Such call may be written or oral, shall be given to each Director, and shall precede the meeting to the same extent as required by Section 4 of this Article for public notice of a meeting. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except when a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. This Section notwithstanding, any call for a meeting to amend these By-Laws shall conform to the requirements of Article IX and shall be given, in writing, at least five days in advance of such meeting. A call personally delivered shall be deemed to have been given when so delivered. A call or telegram or letter shall be deemed to have been given, respectively, on the date of such telegram or the deposit of such writing in a sealed envelope, properly addressed, with first class postage pre-paid, in the United States mail.

Section 4. Notice and Conduct of Meetings. All meetings of the Board of Directors shall be open to public observation except as provided in Section 116(f) of the Act. The Chairman shall cause to be published in the *Federal Register* notice of the day, place and time of any meeting, and an indication as to whether the meeting will be open or closed to the public, at least five calendar days in advance of such meeting, unless the Chairman determines that Corporation business requires that a meeting be called upon shorter notice. In the event of such a determination, the Chairman shall provide at the earliest practicable time for public announcement of the day, place and time such meeting, and an indication as to whether the meeting will be open or closed to the public. Such alternate notice procedures also shall be followed in the event the Chairman determines Corporation business requires a change in the day, place or time of a meeting, notice of which material aspect already has been published.

Section 5. Minutes. The Board of Directors shall maintain minutes of each meeting that fully and clearly describe all matters discussed and provide a full and accurate summary of the actions taken, with the reasons therefor. Minutes also will include a description of each of the views expressed on any item by each person in attendance and the record of any roll call vote, reflecting the vote of each member of the Board of Directors. The minutes shall identify all documents considered in connection with any action. The minutes of any meeting the actual day, place or time of which was announced pursuant to Section 4 of this Article less than five calendar days in advance of such meeting shall set forth the reasons for such lack of advance notice.

Section 6. Quorum. The presence of four Directors at any meeting shall constitute a quorum of the Board of Directors for such meeting. In the absence of a quorum, a majority of the Directors present at any meeting may adjourn the meeting from time to time until a quorum shall be present, without a further call by the Chairman. A Director shall be considered present and may participate at any meeting of the Board of Directors by means of conference telephone or similar communications equipment that permits all Directors participating in such meeting to hear each other.

Section 7. Manner of Acting. Any action by four members of the Board of Directors shall be the action of the Board of Directors.

Section 8. Resignations. A Director may resign at any time by providing written notice of his or her resignation to the President of the United States and to the Corporation, such resignation to take effect on the receipt thereof unless otherwise specified.

ARTICLE III

Committees

Section 1. General. The Board of Directors may from time to time designate one or more committees of the Board of Directors, each of which shall consist of at least two Directors and may include one or more officers of the Corporation. Each such committee shall have such name and powers as the Board of Directors may determine; provided, however, that a committee shall not be vested with any of those functions, powers or duties of the Board of Directors that are non-delegable under Section 1 of Article II unless such committee consists of at least four members of the Board of Directors.

Section 2. Proceedings. Any committee of the Board of Directors may adopt such rules of procedure, meet at such places or time, meet upon such notice (or without notice) and keep such minutes as it shall determine from time to time; provided, however, that any committee acting in other than an advisory capacity that includes four members of the Board of Directors must comply with the requirements for meetings of the Board of Directors set forth in Sections 3 (other than the requirement for quarterly meetings), 4 and 5 of Article II.

Section 3. Quorum, Manner of Acting. At all meetings of any committee of the Board of Directors, the presence of a majority of the committee Director members shall constitute a quorum. Any action by such committee shall be effected by majority vote of the committee Director members present at any meeting at which a quorum is present; provided, however, that any performance by such committee of the non-delegable functions or duties, and any exercise by such committee of the non-delegable powers, referred to in Section 1 of this Article shall be effected by the affirmative vote of at least four members of the Board of Directors. In the absence of a quorum, a majority of the members of the committee present at any meeting may adjourn the meeting from time to time until a quorum shall be present. A member of a committee shall be considered present and may participate at any committee meeting in the same manner as prescribed for Directors in Section 6 of Article II. The Board of Directors may appoint the chairman of any committee of the Board of Directors from among the membership of such committee, but if such chairman is not appointed by the Board of Directors, such power of appointment shall be vested in the Director members of the committee.

Section 4. Resignations. Any member of any committee of the Board of Directors may resign at any time by giving written notice thereof to the chairman of the committee if such be appointed, and, if not, to the Chairman, such resignation to take effect upon receipt thereof unless otherwise specified therein.

Section 5. Removal. Any or all of the members of any committee of the Board of Directors may be removed at any time, either with or without cause, by the Board of Directors.

Section 6. Vacancies. However any vacancy shall occur in any committee of the Board of Directors, the remaining members, if not less than the minimum numbers of members of such committee required by this article, shall continue to act, and such vacancy may be filled by the Board of Directors.

ARTICLE IV

Officers

Section 1. General. The officers of the Corporation shall consist of the Chairman and Chief Executive Officer (the Chairman), the President and Chief Operating Officer, the Executive Vice President, the General Counsel and Secretary, the Senior Vice President for Projects, the Vice President for Administration and Treasurer, Vice Presidents for Projects, Technology and Engineering, Finance, External Relations, and Planning, the Inspector General, and the Deputy Inspector General. With the exception of the Chairman, the Inspector General and the Deputy Inspector General (the Presidential Officers), each officer shall (i) be elected or appointed annually by the Board of Directors at a meeting of the Board designated by the Chairman which shall be held during the three-month period immediately following the commencement of each fiscal year of the Corporation and shall hold office until such meeting the following fiscal year or until his or her earlier resignation or removal and (ii) subject to the Chairman's responsibility for management and direction of the Corporation, perform the respective functions and duties and exercise the respective powers specified by or pursuant to this Article. The Board of Directors shall have the power to remove, with or without cause, any officer other than the Presidential Officers, and shall have the power to fill a vacancy occurring in any office other than those of the Presidential Officers. Any Presidential Officer may resign in the same manner as provided for a Director in Section 8 of Article II. All other officers may resign at any time by providing written notice to the Corporation, such resignation to take effect on the receipt thereof unless otherwise specified. Any two or more offices other than those of the Presidential Officers may be held by the same person.

Section 2. Chairman. The Chairman shall be appointed and serve as provided in Section 2 of Article II. The Chairman shall preside at all meetings of the Board of Directors, shall be the Chief Executive Officer of the Corporation and shall be responsible for the management and direction of the Corporation.

Section 3. President and Chief Operating Officer. The President and Chief Operating Officer (the President) shall be responsible for the management of the operations of the Corporation, and shall act as the Chairman during the absence or disability of, or in the event of a vacancy in the office of, the Chairman, to the full extent such authority is delegated to the President by the Chairman pursuant to Section 14 of this Article.

Section 4. Executive Vice President. The Executive Vice President shall report directly to the President and shall be responsible for conducting all day-to-day operations of the Corporation and for coordinating and allocating responsibilities consistent with the system of organization and the By-laws of the Corporation. The General Counsel and Secretary, the Senior Vice President for Projects, and the other vice presidents of the Corporation, other than the Vice President for Projects, shall report to the Executive Vice President.

Section 5. General Counsel and Secretary. The General Counsel shall also serve as the Secretary of the Corporation. The General Counsel and Secretary (the General Counsel) shall be the chief legal officer of the Corporation and shall keep minutes of all meetings of the Board of Directors, be the custodian of the seal of the Corporation and give proper notice of meetings of the Board of Directors. The General Counsel is expressly empowered to attest to all signatures on, and to affix the seal to any document the execution of which on behalf of the Corporation is duly authorized.

Section 6. Senior Vice President for Projects. The Senior Vice President for Projects shall have overall responsibility for all phases of all projects in the Corporation, including the formulation of recommendations for the Board of Directors relating thereto.

Section 7. Vice President for Projects. The Vice President for Projects shall serve as the deputy to the Senior Vice President for Projects.

Section 8. Vice President for Technology and Engineering. The Vice President for Technology and Engineering shall have overall responsibility for the evaluation of all project engineering programs and proposed technologies and related management capabilities.

Section 9. Vice President for Finance. The Vice President for Finance shall have overall responsibility for the financial aspects of all projects.

Section 10. Vice President for Administration and Treasurer. The Vice President for Administration shall also serve as Treasurer of the Corporation. The Vice President for Administration and Treasurer shall be responsible for (i) the development, implementation and supervision of all management systems necessary for the effective and efficient administration of the Corporation, (ii) the funds and securities of the Corporation and (iii) the preparation and control of the budget as well as the creation and implementation of a comprehensive controller program.

Section 11. Vice President for External Relations. The Vice President for External Relations shall be responsible for information and liaison activities with Congress, industry organizations, the communications media, the public and other Corporation constituencies.

Section 12. Vice President for Planning. The Vice President for Planning shall be responsible for developing and recommending long term plans, with particular emphasis given to the management of the process of developing a proposed comprehensive strategy for consideration and adoption by the Board of Directors.

Section 13. Inspector General. The Inspector General shall have the tenure, qualifications and compensation, and the functions, powers and duties, specified in Section 122 of the Act.

Section 14. Deputy Inspector General. The Deputy Inspector General shall have the tenure, qualifications and compensation, and the functions, powers and duties, specified in Section 122(a) of the Act.

Section 15. Delegation. The Chairman may, by written instrument, delegate any function, power or duty of the Chairman to such other full-time Directors, officers or employees of the Corporation as the Chairman deems appropriate. Any officer other than a Presidential Officer may, with the Chairman's written approval, appoint such persons as deputies or assistants as that officer deems appropriate, and such deputies or assistants shall have the authority, if delegated, to act in the place and stead of the officer as an officer of the corporation in the event of the absence or temporary incapacity, or a vacancy in the office, of such officer. Should no such authority have been delegated by, and a vacancy exists in the office of, such officer, the Chairman shall have the power to delegate such authority until such time as the Board of Directors elects or appoints a person to such office pursuant to Section 1 of this Article.

ARTICLE V

Advisory Committee

There shall be an Advisory Committee composed of the Secretary of the Treasury, the Secretary of Defense, the Secretary of the Interior, the Secretary of Energy and the Administrator of the Environmental Protection

Agency. The Chairman of the Advisory Committee shall be designated by the President of the United States from among its members, and the Advisory Committee's functions, powers, duties and standard of conduct shall be as specified in Section 123 of the Act.

ARTICLE VI

Indemnification

Section 1. General. The Corporation shall indemnify any person who is or was a Director, officer, employee or agent of the Corporation or was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative (other than those brought by the Corporation) relating in any manner to the business and affairs of the Corporation. The indemnification shall be against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with the action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order or settlement shall not, of itself, create a presumption that such person did not act in good faith and in a manner such person reasonably believed to be in the best interests of the Corporation, and with respect to any criminal action or proceeding, had reasonable cause to believe such person's conduct was unlawful; except that no indemnification shall be made with respect to any criminal action, suit or proceeding in which such person shall have been convicted.

Section 2. Determination that Indemnification is Proper. Any indemnification under this Article shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Director, officer, employee or agent is proper in the circumstances because such person has met the standard of conduct set forth in Section 1 of this Article. The determination shall be made (a) by a majority vote of those Directors who were not parties to the action, suit or proceeding, or (b) if no such vote is obtainable, by legal counsel in a written opinion.

Section 3. Expenses in Advance of Final Disposition. Expenses (including attorneys' fees) incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition thereof if authorized in the specific case by a preliminary determination, following the procedures set forth in the second sentence of Section 2 of this Article, that there is a reasonable basis for a belief that the Director, officer, employee or agent met the standard of conduct set forth in Section 1 of this Article, and upon receipt of an undertaking by or on behalf of the Director, officer, employee or agent assuring that such amount will be repaid unless it shall ultimately be determined that such person is entitled to be indemnified by the Corporation as authorized in this Article.

Section 4. Indemnification Inures to Benefit of Heirs, Executors, and Administrators. The indemnification provided by this Article shall continue as to a person who has ceased to be a Director, officer, employee or agent and inure to the benefit of the heirs, executors and administrators of such persons.

Section 5. Insurance. The Board of Directors is authorized, in its discretion and at the cost and expense of the Corporation, to purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation against any liability asserted against such person and incurred by such person in any such capacity or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such persons under the provisions of this Article.

ARTICLE VII

Contracts, Checks, Etc.

All checks, drafts or other orders for the payment of money, notes or other evidence of indebtedness and contracts issued by the Corporation shall be evidenced by an appropriate instrument which shall be signed by an authorized officer or employee.

ARTICLE VIII

Books, Records, and Accounts

The Corporation shall keep correct and complete books and records of account and shall provide for their annual audit.

ARTICLE IX

Amendments

Subject to the provisions of the Act and Article II, these By-laws may be amended, altered or rescinded and new By-laws may be adopted by the Board of Directors at any meeting the call and public notice of which have set forth the terms of the proposed amendments.

Question 26:	What is the role of the other members of the Board of Directors? How much time are they spending on SFC work? Please send the committee a list of meetings and communications to evaluate how much time they are spending.
Answer 26:	The Corporation management is pleased with the depth of commitment each director has made to the Corporation's mission and the amount of substantive time each has made available to the Corporation for our work, including the five "outside directors" who serve on a part-time basis. In addition, although the Energy Security Act provides for only four meetings per year for the Board, this Board has held 15 meetings since being sworn in on October 28, 1981. These meetings are typically day-long sessions in Washington, D.C., which require travel time prior to and after each meeting. The directors have also made 22 visits to 10 project sites throughout the United States, to familiarize themselves with the intricacies of each project prior to the time when they will have to vote on each project.

Answer 26

cont'd:

The Energy Security Act clearly defines responsibilities of the Board of Directors (119(a)). Thus, each Board member participates fully in the development of the Corporation's solicitation and award process, and the preparation of the Recommended Comprehensive Strategy to be submitted to Congress. The outside directors are also participating actively in the Corporation's "outreach" efforts as well as communicating with members of Congress, media, state and local governments and environmental organizations.

Question 27:	How is the SFC "outreach initiative" progressing? What is its purpose and how will you judge its success?
Answer 27:	The Corporation's outreach initiative has progressed. It was originally prompted by the Board's concern over the failure of many large companies to become involved with and/or continue involvement in synthetic fuels projects. To address this concern, the Board resolved to begin a dialogue with industry designed to:

1. Identify for the SFC the specific kinds of incentives the private sector needed most if synthetic fuels were to become a reality.
2. Communicate in detail to industry what the SFC's philosophy and approach are to stimulating the development of a private synthetic fuels industry.

Toward this end, 441 separate meetings have been held through January 20, 1983 with specific companies. Of those companies identified by SFC staff for the outreach effort, 18 have come in as project sponsors in the Corporation's third solicitation and several others are expected eventually to join projects.

Question 28: What is your opinion of the need for broad based industry support to form consortium to finance projects?

Answer 28: The cost of commercial-sized synfuels projects, the associated risks, weakening market prices, diminished profitability in existing business lines, reduced capital spending budgets, and alternative, less risky, but higher returning capital investment opportunities combine to make it difficult for projects to be prudently undertaken by a single sponsor. This is particularly true for coal projects, since the major energy companies - those sponsors with the greatest financial resources - generally have less programmatic interest in coal than in shale or tar sands. Nevertheless, there are many companies in a variety of industries which, from a long term strategic perspective, view the learning process of a pioneer synfuels venture to be of significance. Thus, we see the need for broad-based industry support to form consortia, in some instances containing half a dozen or more sponsors, to finance projects.

Question 29: What role has the SFC played to date in encouraging companies to join projects and should this effort be increased?

Answer 29: The Corporation acts as a catalyst encouraging companies to become project sponsors. We do this in a number of ways, including: detailed project discussions with potential sponsors; non-project specific meetings in which a company's synthetic fuel options and strategies are discussed in light of SFC policies; and outreach efforts, which have attracted 18 new sponsors for project proposals under the third solicitation. These activities have not only added to the overall number of project sponsors, but have also in several cases led to stronger projects. And we continue to seek out and encourage strong sponsors to participate in developing a synfuels industry.

Question 30: Mr. Schroeder went to Germany and Japan to support foreign participation in the United States projects. He should be commended for his efforts and his realization of the international aspects and potential for synfuels.

Are these efforts going to be continued? What were the results of the recent meetings with the Japanese?

Answer 30: Efforts to encourage international companies to join in sponsoring synthetic fuels projects will continue. The results of this communication can be judged in the context of the facts below:

1. The visit by the Japanese Technical Mission for Coal Liquification to several U.S. organizations and facilities including the SFC (1-15-83).

2. The visit of Executive Director Esaki of the New Energy Development Organization to the SFC (2-14-83).

3. At the recent meeting between President Reagan and Japanese Prime Minister Nakasone, many energy issues, including synthetic fuels, were discussed. During the discussion, the President suggested that an international U.S.-Japanese "working group" be established to further joint development of synthetic fuels.

4. A Japanese business consortium is currently a partner in the Coolwater coal gasification project which is in negotiations with the Corporation now. There are also possibilities for Japanese participation in other coal projects before the SFC.

Question 31: Who is defining the scope of the SFC over-all strategy, due to Congress on June 30, 1984?

- o Chairman Noble?
- o The Board?
- o The Staff?

When can the Committee staff be briefed on the progress of the report and what if any are the implications for the current project selections?

Answer 31: The scope of the comprehensive strategy will be defined by a combination of the Board, including Chairman Noble, the staff, and, of course, the requirements of the Energy Security Act. The development of the staff's Recommended Comprehensive Strategy to the Board is managed by the Corporation's Office of Planning. The staff and the Board members have reviewed a concept plan for the Recommended Comprehensive Strategy (October-December, 1982). In addition, the Office of Planning is meeting with each Board member to discuss the development process for the Recommended Comprehensive Strategy preparation. (February, 1983)

The Committee staff can be briefed on the progress of the Recommended Comprehensive Strategy at any time.

Four major programmatic decisions by the Board in 1982 are part of the Recommended Comprehensive Strategy foundation. The decisions are:

i) Trade off some near-term production for diversity. Best chance to achieve long-term production goals and establish commercially viable industry (February, 1982).

ii) Programmatic objectives and earmarking of funds (July, 1982):

$1 billion -- tar sands/heavy oil
$3 billion -- oil shale
$6 billion -- coal

iii) Third solicitation directed to these three resource bases.

iv) Targeted western oil shale solicitation (January, 1983).

v) Staff work on targeted solicitation for coal as well as a system for programmatic classification (December, 1982 - present).

These decisions will affect current project selection.